Guidance Note on tax relief and how marginal rate tax applies

The guide has been based on information available on www.Revenue.ie. Any specific cases should be referred to an independent tax professional or their local inspector of taxes.

While tax relief is only available on pension contributions against your individual earnings, there are some measures that may need to be taken to optimise income tax relief.

Tax Relief at Marginal Rate

Income Tax relief is provided at 'marginal rate tax' which means that tax at the higher rate of 40% is reduced first and then the standard rate of 20%. So, the rate of income tax relief depends on whether a client is taxed on lower standard rate (20%) and/or higher rate of tax (40%) on the relevant income. It has a similar impact as reducing the individual's earnings for income tax purposes and therefore the applicable income tax paid.

Where the pension contribution lowers the income tax below the standard rate cut off point, the portion below the standard rate cut off point will receive income tax relief at 20% and the amount above at 40%.

Tax Rate Bands

The rate of tax is based on the current rates and bands for the relevant tax year. The standard rate of tax @ 20% is applied up to a 'standard rate cut off point' and thereafter the higher rate of 40% income tax is applied.

Your standard rate cut off point will depend on how you are assessed for income tax and your personal circumstances which include whether you are married or not and the income your spouse (where applicable) has in the relevant year.

The below table shows how a standard rate cut off point can be calculated in each scenario.

Type of Assessment and adjusting standard rate cut-off point

It will depend on how an individual(s) is assessed for tax purposes, as to how they process this, but they may need to adjust the standard rate cut off point for each individual through MyAccount on www.Revenue.ie, if necessary.

There are three ways to be assessed.

1. Single Assessment – treated as single individuals – no option to transfer tax credits, reliefs, tax bands

2. Joint Assessment – Chargeable to tax on your combined income. You can nominate the 'assessable spouse', or it will automatically be the higher earner.

3. Separate Assessment – You are taxed as single individuals during the year. At the end of the year, you may transfer applicable unused tax credits, reliefs and standard rate tax band applicable within allowable limits.

To be assessed 'jointly' or 'separate' assessment you must notify Revenue of marriage/civil partnership and complete necessary requirements through MyAccount to change status. For those with any adjustments needed, 'Joint assessment' would normally be chosen.

Tax Year	Single without qualifying Child	Single with qualifying child*	Married One Income	Married Two Incomes
2025	€44,000	€48,000	€53,000	€53,000 with max. increase of €35,000
2024	€42,000	€46,000	€51,000	€51,000 with max. increase of €33,000
2023	€40,000	€44,000	€49,000	€49,000 with max. increase of €31,000
2022	€36,800	€40,800	€45,800	€45,800 with max. increase of €27,800
2021	€35,300	€39,300	€44,300	€44,300 with max. increase of €26,300

Source: www.revenue.ie

Note: If you care for any child on your own (that you "support and maintain at your own expense"), you may be entitled to Child Carer Credit (SPCCC), which also entitles you to the €4,000 increase in band.

Example of Single Assessment individual for 2024 previous tax year and income tax relief on pension contribution

Assumptions:

Individual attained age 45 in tax year

Age related percentage of earnings relief: 25%

	Salary €40,000	Salary €45,000	Salary €50,000
Standard rate cut off point	€42,000	€42,000	€42,000
Pension Contribution	€7,500	€7,500	€7,500
Contribution Relief at 40%	€0	€3,000	€7,500
Contribution Relief at 20%	€7,500	€4,500	€0
Income tax Relief at 40%	€0	€1,200	€3,000
Income tax Relief at 20%	€1,500	€900	€0
Total Income Tax Relief	**€1,500**	**€2,100**	**€3,000**
Effective Rate of Relief	**20%**	**28%**	**40%**

Source: www.revenue.ie

Is the member receiving income tax relief from any other source:

The maximum scope for tax relief at 40% may also depend on whether the individual is entitled to any other reliefs against income tax, as this may reduce the scope for relief at higher rate tax. This information should be available on MyAccount or ROS.

Using MyAccount to make return:

How to obtain income tax relief when not deducted at source:

The quickest and simplest way is to apply online:

PAYE Employee: Through logging into 'MyAccount':

Steps as follows for current tax year:

- Click on 'Manage your tax 2025'
- Select 'Add new credits'
- Select 'Your Job' – Select Pension type i.e. Additional Voluntary Contribution (AVC), Personal Retirement Savings Account (PRSA), Retirement Annuity Contract (personal Pension)
- You may wish to complete any other reliefs /credit here. Then Click 'Next'.
- You will be required to complete details of payment and estimate of earnings for current year (2025)

Once completed, the tax credits will be populated on screen (at equivalent of 20% income tax relief) and where tax relief due at 40%, the additional 20% will be allocated as an increase in the standard rate cut off point.

For the previous tax year(s) the process is similar however you need to:

- click on 'Review your tax' for the appropriate year
- Request 'Statement of Liability'
- Click on 'Complete Income tax return'
- In the 'tax credits & Reliefs' page select 'Your Job'
- Complete and submit (for processing)

Whether applying pension contributions against current year or previous year within 'Pay and file' date, you will be required to either upload a copy of pension certificate or provide details, as per attached template.

Click here for Declaration form

Self-Assessment: Through Revenue Online Services (ROS) (Form 11):

Self-Employed & those required to apply for Self-Assessment income tax return through Revenue Online Services (ROS) (Form 11).

Tax relief for previous tax years:

Tax relief is limited to the 'previous tax year', provided that the contribution is paid and filed before the 'Pay and file' deadline, which is 31st October (or 19th November 2025 for ROS/ MyAccount users for 2024 tax year) of the following year.

However, it may still be possible to review your tax for the last four years. So, if there were contributions made and not filed for relief, there may still be time.

Where an individual was separately assessed (joint assessment should be automatic), they may also be in a position to review their standard cut-off point at the end of the tax year, to ensure they optimised tax relief at higher rate, where applicable. This could also apply to those that made contributions through payroll.

Please note that the focus on this document was on marginal rate income tax, it would also be important to ensure that any 'tax credits' are allocated correctly between spouses.

If you have further questions on any aspect of this briefing, please contact your Broker Consultant or the TechTalk Team on 01 209 2020 or techsupport@zurich.com

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at October 2025 and may change in the future.

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