

Retirement Planning for Company Directors in 2025

In our experience, Company Directors will often prioritise the growth of their business in their earlier years of work and only later focus on retirement planning when their business is established and has excess profits above the day-to-day running costs.

The good news for them is that the pensions tax regime in Ireland does allow for an employer to trigger an acceleration in retirement planning for that company director by way of employer contributions to a pension for their benefit. In addition, these employer contributions are a very tax efficient method of withdrawing those profits for the benefit of the business owner as they are allowable for corporation tax in the hands of the employer (subject to Revenue limits – see detail below) and do not trigger a Benefit in Kind (BIK) for an employee (subject to Revenue limits for Personal Retirement Savings Accounts (PRSAs) – see detail below).

There are two pension arrangements under which this pension funding can take place. They have the option to fund under either an Executive Pension in a Master Trust or a PRSA.

Employer Contributions to a PRSA

The funding rules for PRSAs have changed with effect from the 1st of January 2025. The maximum employer contribution to a PRSA that can be tax relieved by an employer and would not trigger a BIK for the employee is now 100% of the employee's total salary in the relevant year. Although these new rules are more restrictive than what was possible in 2023 and 2024, the funding rules under PRSAs remain straight forward and may favour some clients that have already significantly funded under an Occupational Pension Scheme.

Employee contributions to the PRSA do not form part of these Employer limits, so employees may maximise their own age related personal contribution limits whilst not impacting the employer limits (100% of Salary) which are set out above.

Employer Contributions to an Executive Pension in a Master Trust

The rules which govern employer contributions under an Executive Pension are more complex. Executive Pensions require that a calculation takes place considering the salary, previous service and current pension benefits of that company director. Executive Pensions allow contributions to be made for future service (Ordinary Annual Contributions) and for prior service (Special Contributions).

Employee contributions or Additional Voluntary Contributions (AVCs) to an Occupational Pension Scheme or PRSA AVC form part of these overall limits for Ordinary Annual and Special Contributions and therefore must be deducted from the total limits to determine the ability for an Employer to contribute for the benefit of that employee in the relevant year. Regular employee contributions or AVCs would be seen as Ordinary Annual Contributions whereas AVCs which are backdated to a prior year could be seen as a Special Contribution.

To best illustrate the scope for contributions to an Executive Pension arrangement you can use the **Zurich Max Funding Calculator**. This calculator produces a comprehensive report showing the maximum allowable contributions for that company director. The ability to contribute under an Executive Pension can then be compared to the PRSA limits above which are more straightforward.

As company directors have a choice as to how to fund for their retirement and both products available have different funding rules, some clients may be better placed pension funding



in an Executive Pension under a Master Trust or a PRSA depending on their individual circumstances.

administered based on the underlying Revenue rules. To allow you to compare and contrast, we have provided a comparison table below.

In addition to the differing rules governing employer contributions, there are additional variances between how each product will be

Product	Zurich Master Trust – Executive Pension	PRSA																								
Employer Contributions – Current Service	<p>These are known as Ordinary Annual Contributions. A Funding Calculation is required to determine the scope for an Ordinary Annual Contribution.</p> <p>Employers can obtain immediate tax relief on contributions that are denoted as Ordinary Annual Contributions.</p>	<p>Maximum employer contribution to a PRSA that can be tax relieved by an employer and would not trigger a BIK for the employee is 100% of the employee's salary in the relevant year.</p> <p>Contributions greater than that limit would not qualify for tax relief for that employer and would trigger a Benefit in Kind for the Employee.</p>																								
Employer Contributions – Past Service	<p>These are known as Special Contributions. A Funding Calculation is required to determine the scope for a Special Contribution.</p> <p>Employers can obtain immediate tax relief on Special contributions that are equal to or less than the employers Ordinary Annual Contributions. That includes all Ordinary Annual Contributions made by the employer to Occupational Pension schemes for all employees.</p> <p>Otherwise, relief on Special Contributions must be spread forward for between 2 and 5 years depending on the size of the contribution.</p>	<p>Not possible under a PRSA.</p>																								
Benefit in Kind for Employee from Employer Contribution	<p>No Benefit in Kind triggered for the employee.</p>	<p>Contributions greater than 100% of the employees salary in the relevant year will trigger a Benefit in Kind for the Employee which would be liable to Income Tax, Pay Related Social Insurance (PRSI) & Universal Social charge (USC) at that employee's marginal rate of Tax.</p>																								
Employee Contributions	<p>Employee contributions and AVCs form part of the limits on total Ordinary Annual and Special Contributions to a pension scheme.</p> <p>Regular employee contributions or AVCs would be seen as Ordinary Annual Contributions. AVCs which are backdated to a prior year could be seen as a Special Contribution.</p> <p>They are also subject to additional rules in relation to relief from income tax.</p> <p>The maximum pension contribution for which an individual may claim tax relief cannot exceed the relevant age-related percentage of the individual's earnings in any year of assessment.</p> <p>The age-related percentage limits are:</p> <table><tr><td>Under 30 years</td><td>15%</td></tr><tr><td>30-39 years</td><td>20%</td></tr><tr><td>40-49 years</td><td>25%</td></tr><tr><td>50-54 years</td><td>30%</td></tr><tr><td>55-59 years</td><td>35%</td></tr><tr><td>60 years or over</td><td>40%</td></tr></table> <p>Earnings for the purpose of these limits are capped at €115,000.</p>	Under 30 years	15%	30-39 years	20%	40-49 years	25%	50-54 years	30%	55-59 years	35%	60 years or over	40%	<p>Employee contributions do not form part of the limits on Employer Contributions to a PRSA.</p> <p>They are separately subject to rules in relation to relief from income tax for the employee.</p> <p>The maximum pension contribution for which an individual may claim tax relief cannot exceed the relevant age-related percentage of the individual's earnings in any year of assessment.</p> <p>The age-related percentage limits are:</p> <table><tr><td>Under 30 years</td><td>15%</td></tr><tr><td>30-39 years</td><td>20%</td></tr><tr><td>40-49 years</td><td>25%</td></tr><tr><td>50-54 years</td><td>30%</td></tr><tr><td>55-59 years</td><td>35%</td></tr><tr><td>60 years or over</td><td>40%</td></tr></table> <p>Earnings for the purpose of these limits are capped at €115,000.</p>	Under 30 years	15%	30-39 years	20%	40-49 years	25%	50-54 years	30%	55-59 years	35%	60 years or over	40%
Under 30 years	15%																									
30-39 years	20%																									
40-49 years	25%																									
50-54 years	30%																									
55-59 years	35%																									
60 years or over	40%																									
Under 30 years	15%																									
30-39 years	20%																									
40-49 years	25%																									
50-54 years	30%																									
55-59 years	35%																									
60 years or over	40%																									
Retirement Age	<p>Retirement Benefits can be accessed from 50 onwards where employment linked to the scheme has terminated and all links to the employer are severed (Company director must dispose of all shares to unconnected third party).</p> <p>Benefits can be accessed from scheme NRA (lowest possible 60) without having to leave service or sever any links with the company.</p>	<p>Retirement Benefits can be accessed from 50 onwards where employment linked to the PRSA has ended and member has also retired from all other employments and self-employments.</p> <p>Company director does not have to dispose of all shares in company but must be retired from all employments.</p> <p>Benefits can be accessed from age 60 without having to leave service, retire or sever any links with the company.</p>																								

Continued overleaf

Retirement Options	<p>Maximum Retirement Lump Sum can be calculated using a formula based on Salary and Service or paid based on 25% of Fund.</p> <p>Remaining fund must be used to buy an Annuity where Lump Sum paid under Salary and Service Route (except for AVCs).</p> <p>Remaining fund can be used to buy an Approved Retirement Fund, Annuity or taken as taxable cash, when lump sum is paid under the "25% route"</p> <p>All benefits relating to the same employment must come into payment at the same time.</p>	<p>Maximum Retirement Lump Sum is 25% of Fund.</p> <p>Remaining fund can be held within the PRSA as a Vested PRSA or used to buy an ARF, Annuity or taken as taxable cash.</p> <p>It's also possible to split PRSA benefits into Multiple PRSAs which can be accessed at different times and deferred up until a maximum of age 75.</p>
Death Benefits	<p>Active Member: Lump Sum limited to "4 X Final Remuneration" plus a refund of member contributions.</p> <p>Residual fund can be used to buy ARF or Annuity.</p> <p>Deferred Member: Where a member has left service or terminated active membership of the scheme, the fund is seen as preserved and payable in full to the estate.</p>	<p>Full value paid to the estate.</p>
Redundancy	<p>Pension Lump Sum from an Occupational Pension Scheme is included in the Standard Capital Superannuation Benefit (SCSB) calculation when determining taxation of an ex-gratia termination payment.</p>	<p>Pension Lump Sum from a PRSA is not currently included in the SCSB Calculation when determining taxation of an ex-gratia termination payment.</p>
Transfers	<p>On leaving service or ceasing active scheme membership, benefits can be transferred to</p> <ul style="list-style-type: none"> • Another Occupational Pension Scheme. • A Personal Retirement Bond. • A PRSA subject to the member obtaining a Certificate of Benefit Comparison where the Transfer Value is greater than €10,000. 	<p>Possible to Transfer to a PRSA or Occupational Pension Scheme.</p>
Overseas Transfers	<p>Overseas Transfer not subject to Tax.</p>	<p>Overseas Transfer currently a Taxable Event.</p>

Important note: Please note that this Techtalk does not constitute tax advice. Where possible we would suggest that clients consider getting their own professional tax advice based on their own individual circumstances and if necessary, contact the Revenue directly.

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

Warning: The value of your investment may go down as well as up.
Warning: This product may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.
Warning: The income you get from this investment may go down as well as up.

Zurich Life Assurance plc

Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.

Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie

Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

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

Intended for distribution within the Republic of Ireland.

GR: 9174 Print Ref: ZL PSA 9174 0125

