

Master Trust & PRSA – Frequently Asked Questions

There have been significant changes to legislation and Revenue guidance in recent years, impacting clients’ retirement savings held through the Zurich Master Trust and/or a Personal Retirement Savings Account (PRSA) with Zurich.



To help, we have compiled this list of common questions which may arise for you and your clients.

PRSAs	
<p>1. What are the funding rules for an Employer paying into a PRSA from 2025 onwards.</p>	<p>The Employer limit for a PRSA Contribution is 100% of employee salary. Amounts paid in excess of that limit will not receive tax relief for the employer and will trigger a BIK for the employee in question.</p> <p>The maximum employer contribution to a PRSA that can receive tax relief for that employer is now 100% of the employee’s total salary in the relevant year. Employer Contributions in excess of 100% of Salary which is known as the Employer limit will not be tax deductible for the employer.</p> <p>In addition, any Employer Contributions more than the Employer limit will cause a BIK on that excess amount which will be liable to Income Tax, PRSI & USC at the marginal rate applicable to that employee taking into account their current earnings.</p> <p>The Employee’s salary in the context of the “Employer Limit” for Employer PRSA contributions is not subject to the €115,000 earnings cap.</p>
<p>2. What is employee ‘Salary’ in the context of the above Employer Limit?</p>	<p>The Employer limit is 100% of the employee’s Schedule E remuneration from the employment in the relevant year. This could include Basic Pay, Bonuses and BIKs in that year.</p> <p>There is also an additional ability to use the prior year’s Schedule E remuneration for this limit where current earnings are lower than that previous year’s due to one of the following issues arising:</p> <ul style="list-style-type: none"> • A period of sick leave where remuneration was reduced or ceased, or • A period of unpaid leave approved by the employer, or • A reduction in remuneration related to payment of certain social welfare benefits.

3. Do employee contributions to PRSAs form part of the above “Employer Limit”?

Employee contributions do not form part of the limits on Employer Contributions to a PRSA.

They are separately subject to rules in relation to relief from income tax for the employee.

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.

The age-related percentage limits are:	
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%

Source: Age-related earnings percentage limits, Revenue.ie

Earnings for the purpose of these limits are capped at €115,000.

Since 1 January 2023 employer contributions no longer count towards the employee’s scope to make PRSA contributions themselves.

4. Is it possible to make an Employer Special Contribution to a PRSA for past Service?

It is not possible to make an Employer Special Contribution for previous service under a PRSA.

The Employer Limit can only be utilised in the relevant year. It’s not possible to use an Employer limit from a prior year once that year ends.

5. If an employer contributes to a PRSA, is the employee in pensionable employment?

Yes. Updated guidance from Revenue on this matter is in Chapter 24.3 of the Pensions Manual and states that “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”.

Impact: Tax relief when using a personal pension or personal pension term assurance is no longer available to employees with a PRSA which their employer is funding.

6. Does proof of the Income from the employment need to be submitted when an employer contributes to a PRSA?

Proof of the employment Income in the form of a Payslip or Employment Detail Summary (EDS) is not a requirement under the PRSA product.

7. Does the employer have to be organised as a corporate entity or can a sole trader or partnership that employs someone contribute to a PRSA for that employee’s benefit?

An employer that is a sole trader or two or more self-employed people in a partnership could contribute to a PRSA on behalf of someone that they employ. The employee needs to be registered as an employee of that sole trader or partnership and paid a salary taxed under the Pay As You Earn (PAYE) System (Schedule E). Assuming the sole trader or partners pay tax under Schedule D (Case I or II), then they would not be eligible to benefit from an employer contribution as they are not employees. They could use a PRSA or Personal Pension to pension their self-employed income personally subject to the age-related limits.



<p>8. Can an investment company make contributions to a PRSA for an employee (including 20% directors) of the company?</p>	<p>Yes. Previously investment companies could make contributions to occupational pension schemes for arm's length employees but were prohibited from doing so for 20% directors who were employed by the company. Revenue's guidance in respect of occupational pension schemes is that "A 20% director of a company that is treated for tax purposes as an investment company cannot be accepted into membership of an approved scheme in relation to that employment."</p> <p>No such restriction has been made in respect of PRSAs, so our understanding is that an investment company could contribute to a PRSA for the benefit of a 20% director that is employed by that company.</p>
<p>9. Can an employer that employs people in Ireland but is resident overseas pay into a PRSA for Irish resident employees?</p>	<p>Yes, provided the employee is habitually and tax resident in the Republic of Ireland (paying tax under the PAYE System here) and the non-resident employer has registered as an employer in this state.</p>
<p>10. Do pension lump sums from employer sponsored PRSAs have to be included in redundancy calculations (Increased Exemption & Standard Capital Superannuation Benefit (SCSB))?</p>	<p>Current Revenue guidance is that only pension lump sums from occupational pension schemes are included in redundancy calculations (Increased Exemption & SCSB). Lump Sums under a PRSA have historically been excluded from such calculations. There has been no guidance to change that approach however the reclassification of a PRSA as a "sponsored superannuation scheme" does create ambiguity here. This is something the Revenue may wish to consider.</p>
<p>11. What are the requirements for both ordinary employees and 20% directors to access benefits under the PRSA?</p>	<p>For an Ordinary Employee, Retirement Benefits can be accessed from 50 onwards where employment linked to the PRSA has ended and client has also retired from all other employments and self-employments.</p> <p>A 20% director with a PRSA can also access benefits from age 50 onwards where the employment linked to the PRSA has ended and the individual is no longer economically active (retired from all other employments and self-employments). There is no requirement to dispose of shareholdings within the company when accessing PRSA Benefits. This restriction does continue to apply to occupational pension schemes.</p> <p>It's also possible for ordinary employees and company directors to access benefits from 60 onwards without having to leave service or retire from any employments.</p>
<p>12. Can benefits from a PRSA be transferred to other pension arrangements?</p>	<p>It is possible to transfer these benefits to an occupational pension scheme or one or more PRSAs.</p>
<p>13. Can benefits from a PRSA be transferred to an overseas pension arrangement?</p>	<p>It is possible to transfer PRSA benefits overseas subject to Revenue requirements in Chapter 13 of the Pensions Manual being satisfied but currently this is a Taxable Event so the transfer will be liable to Income Tax, PRSI & USC at the marginal rate applicable to that employee considering their current earnings.</p>

Zurich Master Trust

1. What are the limits on Employer Contributions to Occupational Pension Schemes?

To determine the scope for an Employer Contribution to an Occupational Pension Scheme, a calculation must take place taking into account the salary, previous service and current pension benefits of that scheme member. The rules allow contributions to be made for future service (Ordinary Annual Contributions) and for prior service (Special Contributions).

2. Do Employer Contributions to an Occupational Pension Scheme qualify for tax relief?

A Funding Calculation is required to determine the scope for contributions. There may be scope for both Ordinary Annual Contributions and Special Contributions.

Contributions for current and future service are known as Ordinary Annual Contributions. Employers can obtain immediate tax relief on contributions that are denoted as Ordinary Annual Contributions.

Contributions for past service are known as Special Contributions. 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. Otherwise, relief on Special Contributions must be spread forward for between 2 -5 years depending on the size of the contribution.

3. Do employee Contributions form part of the above limits?

Employee contributions and Additional Voluntary Contributions (AVCs) form part of the limits on total Ordinary Annual and Special Contributions to a pension scheme.

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.

They are also subject to additional rules in relation to relief from income tax.

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.

The age-related percentage limits are:

Under 30 years	15%
30-39 year	20%
40-49 years	25%
50-54 years	30%
55-59 years	35%
60 years or over	40%

Source: Age-related earnings percentage limits, Revenue.ie

Earnings for the purpose of these limits are capped at €115,000.

4. What are the requirements for both ordinary employees and 20% directors to access benefits under the Zurich Master Trust?

Retirement Benefits can be accessed from 50 onwards where the employment linked to the scheme has terminated and all links with the employer are severed (Company director must dispose of all shares to unconnected third party).

Benefits can be accessed from scheme Normal Retirement Age (NRA) (lowest possible 60) without having to leave service or sever any links with the employer.

5. What are the retirement options under the Zurich Master Trust?

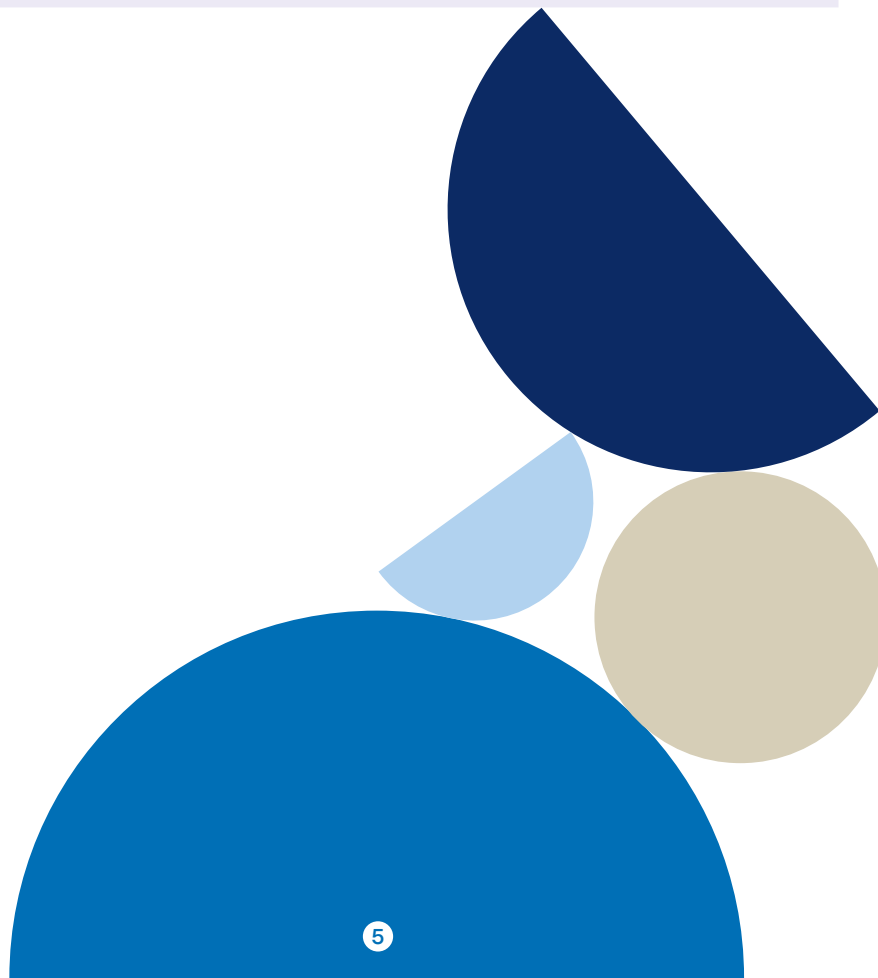
The Maximum allowable Retirement Lump Sum can be calculated using a formula based on Salary and Service or based on 25% of Fund.

The remaining fund must be used to buy an Annuity where a lump sum is paid under Salary and Service Route (except for Additional Voluntary Contributions (AVCs)).

The remaining fund can be used to buy an Approved Retirement Fund (ARF), Annuity or taken as taxable cash, when lump sum is paid under the "25% route".

All benefits relating to the same employment must come into payment at the same time. This includes any other occupational pension scheme benefits or Personal Retirement Bonds (PRBs) linked to the employment.

<p>6. Do pension lump sums from Occupational Pension Schemes have to be included in redundancy calculations (Increased Exemption & SCSB)?</p>	<p>Yes. Current Revenue guidance is that pension lump sums from occupational pension schemes are included in redundancy calculations (Increased Exemption & SCSB).</p>
<p>7. Can benefits from the Zurich Master Trust be transferred to other pension arrangements?</p>	<p>Yes, but subject to the following criteria being satisfied:</p> <ul style="list-style-type: none"> On leaving service members with a preserved benefit would have an automatic entitlement to a transfer value and could choose to transfer to another occupational pension scheme, a PRB or a PRSA*. The Trustee of the Zurich Master Trust (Zurich Ireland Master Trustee DAC) has also consented to allow transfers for members who have not left service but have an agreement in place with their employer to cease contributory service in the scheme to another occupational pension scheme, a PRB or a PRSA*. <p>* Under current rules clients would need to obtain a Certificate of Benefit Comparison to transfer to a PRSA where the transfer value relates to preserved benefits and the transfer value exceeds €10,000. Please note that it's not possible to wind up the employer's section within the Master Trust to avoid the Certificate of Benefit Comparison requirement.</p>
<p>8. Can benefits from the Master Trust be transferred to an overseas pension arrangement?</p>	<p>It is possible to transfer benefits overseas subject to Revenue requirements in Chapter 13 of the Pensions Manual being satisfied. No taxation would be applied by Zurich Life to any such transfer payment.</p>
<p>9. Can benefits from the Zurich Master Trust be transferred to other pension arrangements after the members NRA?</p>	<p>The scheme rules for the Zurich Master Trust allow that members benefits do not automatically commence at NRA and can therefore be deferred post NRA and drawdown at a later date. Therefore as benefits do not become payable at NRA, it will remain possible to transfer to another occupational pension scheme, a PRB or a PRSA* after the members NRA.</p> <p>* Under current rules clients would need to obtain a Certificate of Benefit Comparison to transfer to a PRSA where the transfer value relates to preserved benefits and the transfer value exceeds €10,000. Please note that it's not possible to wind up the employer's section within the Master Trust to avoid the Certificate of Benefit Comparison requirement.</p>



Master Trusts and PRSAs

<p>1. Can an employer contribute to both an occupational pension scheme and a PRSA for an employee at the same time?</p>	<p>Yes, but please be aware that:</p> <p>Employer contributions into the PRSA are subject to new funding limits with contributions more than the “Employer Limit” creating tax issues for both employer and employee. Employer contributions to occupational pension schemes do not form part of that PRSA “Employer Limit” but are still subject to the existing funding rules.</p> <p>Employer contributions to occupational pension schemes must either be allowable as Ordinary Annual or Special Contributions. These limits for an Ordinary Annual or Special Contribution include all Employer, Employee and AVCs made to occupational pension schemes or PRSA AVCs for that employment. The limits themselves do not include Employer Contributions to a PRSA as they are not seen as Ordinary Annual or Special Contributions, however please note that the funding of the PRSA in conjunction with a Master Trust will lead to the creation of a new pension benefit (the PRSA) which must be taken into account in funding calculations for the Master Trust as a Retained Benefit and therefore will impact the ability to fund in that occupational pension scheme going forward.</p>
<p>2. Can an employee contribute to both an occupational pension and a PRSA at the same time?</p>	<p>Employees that are paying into an occupational pension scheme can only further pension that income using a PRSA AVC. While contributions to a PRSA (Non AVC) are not necessarily prohibited, it would not make sense to arrange this as the individual would not qualify for tax relief on contributions to a PRSA (Non AVC).</p>
<p>3. Is salary sacrifice allowed when an employer funds in a Master Trust or a PRSA for an employee?</p>	<p>No. Our understanding would be that where an employee accepts a reduction in remuneration to which they are contractually entitled to from their employer to allow for an employer contribution into either an occupational pension scheme or a PRSA, then the Revenue would deem this to be salary sacrifice.</p> <p>Revenue guidance is that: “Any arrangement under which an employee waives an entitlement to remuneration or accepts a reduction in remuneration, in return for a corresponding payment by the employer into a pension scheme, is considered to be an application of the income earned by the employee rather than an expense incurred by the employer. Such arrangements are subject to the provisions of section 118B TCA 1997.”</p> <p>If salary sacrifice did occur the employer contribution would be considered income received by the employee and taxed accordingly.</p>
<p>4. What happens at retirement if a member has both an occupational pension scheme and PRSA linked to same employment?</p>	<p>Benefits from the occupational pension scheme and PRSA (Non AVC) do not have to be matured at the same time.</p> <p>The PRSA can provide a 25% retirement lump sum regardless of the option chosen at retirement for lump sum under the occupational pension scheme.</p> <p>The occupational pension scheme could provide a 25% retirement lump sum or lump sum based on a salary and service calculation but important to understand that the lump sum under the PRSA (whether deferred or drawn down) will be factored into the maximum allowable salary and service lump sum calculation. The maximum possible salary and service lump sum of “1.5 X Final Remuneration” would be reduced by the value of the PRSA Lump Sum. PRSA AVCs differ in that they must be matured in conjunction with the relevant occupational pension scheme and the retirement options chosen in that scheme will directly impact how the PRSA AVCs can be paid.</p>
<p>5. What happens on death if a client is an active member of both an occupational pension scheme and PRSA linked to same employment?</p>	<p>The PRSA fund would be paid in full to the estate. The fund is potentially liable for Capital Acquisitions Tax (CAT) depending on the ultimate recipient. There is no CAT where the recipient is a Spouse or Civil Partner.</p> <p>The Occupational Pension Funds are subject to Revenue limits for Death in Service Lump Sums. The maximum allowable Death in Service Lump Sum would be:</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>Maximum allowable lump sum = A + (B – C)</p> <p>A. Current value of Employee Contributions and AVCs.</p> <p>B. Greater of</p> <ul style="list-style-type: none"> • 2 X Final Remuneration, or • (4 x Final Remuneration) - Retained Benefits* <p>C. The value of all Death in service lump sums already paid or to be paid from Group Risk Schemes, Executive Pension Term Assurance, Occupational Pension Schemes and PRBs linked to this employment.</p> </div> <p>The lump sum is potentially liable for CAT depending on the ultimate recipient. There is no CAT where the recipient is a Spouse or Civil Partner.</p> <p>Any remaining fund could be used to purchase an ARF or Annuity for a Spouse or dependent.</p> <p>* Retained Benefits includes death benefits derived from occupational pension schemes, Personal Retirement Bonds (PRBs) or PRSA AVCs for earlier employments. The following may be ignored in the context of Retained Benefits when paying a death in service claim.</p> <ul style="list-style-type: none"> • Death Benefits from Personal Pensions • Death Benefits from PRSAs (Non AVCs) • Approved Retirement Funds

6. What happens on death if a client has a deferred benefit under an occupational pension scheme or PRB and is actively funding a PRSA linked to same employment?

The PRSA fund would be paid in full to the estate. The fund is potentially liable for CAT depending on the ultimate recipient. There is no CAT where the recipient is a Spouse or Civil Partner.

The Occupational Pension Scheme funds would be deemed preserved if the member has left service or the member has agreed with their employer and the scheme trustee to terminate pensionable service (cease active membership) of all occupational pension schemes in relation to the employment. In those cases, the full fund would be paid to the members estate. The fund is potentially liable for CAT depending on the ultimate recipient. There is no CAT where the recipient is a Spouse or Civil Partner.

Membership of an employer sponsored PRSA (now considered a sponsored superannuation arrangement by the Revenue) would not impact that preserved benefit status as the Pensions Authority guidance notes on preservation of benefits only reference active membership of occupational pension schemes as being a factor in determining when benefits are preserved or not. This is something the Revenue and Pensions Authority may wish to consider and could provide further guidance on in the future.



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.

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