

## LCP Radar – 14 October 2024

### PRSA & SFT Changes in the Finance Bill

The Finance Bill was released last week and has introduced a few important changes to the operation of Personal Retirement Savings Accounts (PRSAs) and the Standard Fund Threshold.

- The primary change impacting PRSAs was the introduction of a maximum employer contribution which can be paid into an employee's PRSA. The maximum contribution is equal to the total salary paid to that individual over the year. Any payments above this will be treated as a Benefit in Kind (BIK).

This will have particular impact on business owners who may have intended to make significant pension contributions to the PRSA as they approach retirement. These contributions may now need to be spread out, or business owners could consider funding under an Occupational Pension Scheme instead.

In the short term, PRSA providers are likely to see a very significant contributions by business owners prior to the passing of the Bill. Thereafter business owners will need to assess whether a PRSA or an Occupational Pension Arrangement will suit their funding aims.

- The Bill also confirms the increase to the Standard Fund Threshold which increases from €2.0 million to €2.8 million by 2029. Thereafter it will increase with inflation, but inflation will be measured from 2025 which may provide another one-off material increase to the threshold in 2030.
- Payments from an unvested PRSA to a vested PRSA are now deemed to be a Benefit Crystallisation Event (BCE). This will close a loophole in legislation which allowed individuals to avoid a BCE on their PRSA.

A PRSA contracts could transfer to an already vested PRSA thereby avoiding any Excess Tax requirements. This can no longer occur, but it still appears to be possible for Occupational Pension Schemes to transfer to a Vested PRSA. We await to see if the Finance Act is amended to close this loophole.

### How can LCP help?

If you would like to find out more about how LCP can help PRSA providers or if you have any questions on this update, please contact John Lynch at [john.lynch@lcp.com](mailto:john.lynch@lcp.com) or the LCP partner who normally advises you.

#### Note of Work

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