

STANDARD FUND THRESHOLD UPDATE

September 19th, 2024

On 18 September 2024, the Minister for Finance announced changes to the Standard Fund Threshold (“**SFT**”). This announcement follows the publication of the findings of a review of the SFT regime which was led by an independent expert, Dr. Donal de Buitléir and makes several recommendations with a view to modernise and update the operation of the SFT.

The full report on the examination of the SFT [can be accessed here](#).

SFT Changes

The SFT has been set at €2 million since 2014 and the Minister has set out a multi-year plan to implement the recommendations of the report which includes phased increases in the SFT of €200,000 per year beginning in 2026 until 2029 reaching €2.8 million and then converging the level of SFT with the applicable level of wage growth.

The Report also recommends revised valuation factors, taking into account the different types of pensions that the factors apply to and in particular, the different types of benefits that are provided. An independent evaluation of the age-related valuation factors proposed in the report will be undertaken.

Chargeable Excess Tax (“CET”)

A CET rate of 40% applies immediately to the value of pension assets over the SFT and the rate of chargeable excess tax (“**CET**”) is to remain unchanged with a review of the rate to be undertaken by 2030.

A lower rate of 10% was suggested in the Report, with the current 40% figure being described as “*very penal in practice*”, so there is scope for the CET rate to be significantly decreased once this review is completed.

Retirement Lump Sums

Under current rules, a lifetime maximum tax-efficient lump sum of up to €500,000 can be accessed. The first €200,000 of this lump sum is tax free, and the next €300,000 is taxed at the standard rate of income tax of 20%.

The Government’s statement confirmed that the threshold for the higher rate of taxation applicable to a pension lump sum will be limited to €500,000 rather than a proportion of the SFT and this change will be introduced in Budget 2025.

Therefore, the higher threshold for lump sums **will not** increase to €550,000 when the SFT moves to €2.2 million in 2026 but will instead remain at €500,000.

The proposed changes are still very high level, and additional details may emerge once draft legislation is made available.

However, it should be noted that in addition to the announced changes, the Report sets out a number of further recommendations that have potentially far-reaching consequences, including;

- A removal on a phased basis, of the annual age and earnings’ related limits that relate to personal pension contributions;
- That individuals with CET liabilities be allowed to spread payment of these liabilities over a period of 20 years; and
- A change to capitalisation factors used to value defined benefit pensions.

It remains to be seen if any of the Report’s additional recommendations will be fully or even partially implemented by future governments.



If you have any questions about the information in this document, please contact your Unio Employee Benefits Consultant.

The material contained in this communication is informational in nature and does not constitute advice.

DUBLIN

2 Sandyford
Business Centre
Burtonhall Road, Sandyford
Dublin D18 XK37.

T: +353 1 294 7600
E: info@unio-eb.ie

CORK

No 6 Lapps Quay
Cork
Co. Cork T12 VY7W

T: 021 480 8041
E: info@unio-eb.ie

Unio Financial Services Limited, trading as Unio, Unio Employee Benefits and Unio Wealth Management is regulated by the Central Bank of Ireland. An analysis of Unio's activities between those that are regulated and those that are not is set out on the company's website, www.unio-eb.ie.