



Trivial Pension Update

Pension Advisory Services – Irish Life

What is a Trivial Pension?

This is an option available to clients who have very small pension funds at retirement which allows them take the balance of their fund as a taxable lump sum.

What is the Trivial Pension Limit?

There are two ways a trivial pension can be provided:

Option A

Where the value of **all** the client's pension funds after the payment of the retirement lump sum is less than **€20,000** then the client can take the balance of the fund as a once off taxable payment.

Option B

If the total benefits payable from the relevant employment to a member does not exceed €330 a year then the fund can be paid out as a taxable lump sum. In this case the calculation must be done before the retirement lump sum is taken and should be based on a single life annuity rate with no escalation.

This option is also available to those with personal pensions and PRSAs and is calculated based on the client's total personal pension and PRSA benefit.

What tax is due on the Trivial Pension?

Under both options (a) and (b) above the client is entitled to their maximum retirement lump sum. However the balance of the fund is treated differently depending on which option the trivial pension is paid under.

Option A

If the trivial pension is paid under this option then the balance of the fund will be subject to income tax and the Universal Social Charge.

Option B

If the trivial pension is paid under this option then the balance of the fund will be subject to income tax at a rate of 10%.

What pension plans can avail of the Trivial Pension?

Options A & B are available to Company Pension Schemes, Personal Retirement Bonds, PRSAs and Personal Pensions.

The information contained in this document is based on Irish Life's understanding of legislation and Revenue practice as at 10 October 2013 which may change in the future.