

Finance Bill 2024 - Important Update For Business Owners/Directors

The Finance Bill 2024 was Published on Thursday Oct 10th and it included a significant change which will impact Pension Funding for Company Director/Business owners and Senior Employees.



Effective from January 1, 2025, employer contributions to PRSAs will be capped at 100% of salary. This is a significant change from the current policy of unlimited contributions.



What Changes were Confirmed?

- An employer limit of 100% of the director's/employee's remuneration in the current year.
- There is an allowance to use the prior year earnings where current year earnings are reduced due to sick leave and in some other limited circumstances.
- Employer PRSA contributions over this limit will be subject to BIK for the employee and may not be included by the employer as an expense.
- Employee and self-employed PRSA contributions continue to be subject to the existing limits of 15% - 40% of remuneration, subject to the earnings cap of €115,000.
- The employer limit is not subject to the earnings cap of €115,000.
- Employee contributions do not appear to count towards the employer limit of 100% of remuneration.



What are the Implications?

This restriction to 100% of Salary is prohibitively restrictive for many business owners particularly those who draw a relatively low Salary from their business.

Key Points to Note.

Contributions exceeding the cap will be treated as Benefit-in-Kind (BIK) for employees or directors. Company directors and employers should urgently review their pension funding strategies to maximise contributions before the December 31, 2024 deadline.

...the window of opportunity to utilise the current PRSA funding rules will close on 31/12/2024....

These changes and the short time frame involved means the need for expert advice has never been more important. We would encourage all business Owners/Directors who have surplus funds in their business to contact us to review their retirement planning strategy and discuss their options.

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