**This technical query paper was submitted to Revenue on 25 February 2025 and was discussed at the meeting of the TALC Direct and Capital Taxes Sub-Committee on 27 February 2025.**

## Finance Act 2024 changes to employer contributions to PRSAs

At the joint meeting of Main TALC and the TALC Direct and Capital Taxes Sub-Committee on 22 October to discuss the measures announced in Finance Bill 2024 (as initiated), the Institute queried how the proposed changes to the provisions governing employer contributions to PRSAs should apply in real-time if a contribution to a PRSA is made early in the year before any salary is paid to the employee. At the November meeting of the TALC Direct and Capital Taxes Sub-Committee, the Institute raised further queries regarding how best to determine the correct employer deduction where employer companies have non-calendar year ends. Revenue requested that examples be submitted for further consideration.

We have set out below three scenarios where clarification is required regarding the impact of the Finance Act 2024 changes.

**Scenario A**

- An employee is on a salary of €10,000 pm (€120,000 per annum) in 2025.
- The employer company accounting year is 1 January to 31 December.
- At the end of March 2025, the employer contributes €60,000 to the employee's PRSA.

<u>Questions:</u>

1. Is the employer required to deduct tax on BIK under PAYE on the employee's March monthly salary in respect of the contribution to the employee's PRSA which exceeds the employee's remuneration to date for 2025?
2. If yes to Q1, will the employee subsequently receive, in effect, a tax refund each month under PAYE until their salary reaches €60,000 at the end of June?
3. If no to Q1, when does the employee have to check that the employer PRSA contribution is not in excess of their salary? When does the employee have to settle the BIK tax liability if their salary ceased (for example, on leaving employment, death, or ill health where the employee wasn't in the relevant employment in the prior year)?
4. Presumably at year end the employer can include the PRSA contribution as an expense in computing the profits for the period to 31 December and in this example the employer does not need to be concerned about the employer PRSA contribution exceeding earned salary at a point during the year? If that is not the case, clarification is required as to the correct treatment for the employer.
5. What is the amount the employer can include as an expense in computing the profits for the year if the employee's salary has ceased for the example reasons given above? Is this limited to an amount equal to the amount the employee actually

earned in 2025? Can the employer carry the excess forward to 2026, or does this depend on whether the employee has earnings in 2026 or not?

**Scenario B**

- An employee is on a salary of €5,000 per month (€60,000 per annum) in 2024 and in 2025.
- The employer company has an accounting year of 1 July to 30 June.
- At the end of June 2025, the employer contributes €50,000 to a PRSA.

<u>Questions:</u>

6. Questions 1 to 3 above apply equally in this example. Clarification is required that the answers do not change due to the company accounting year not being a calendar year.
7. Section 787J TCA 1997 provides that the employer can include employer PRSA contributions as an expense in computing its profits up to an amount equal to what the employee earns in the “year of assessment”. “Year of assessment” is defined in section 2 TCA 1997 as a calendar year. Does this mean that the employer can’t work off the amount that the employee earned in the company’s accounting period (1 July 2024 to 30 June 2025 in this case)? What amount can the employer include in respect of the contribution to the PRSA in computing its profits for the year end 30 June 2025?
8. If the full amount cannot be included calculating the profits for the accounting period 2024/25, can the excess be carried forward and included when calculating the profits for the accounting period 2025/26?

**Scenario C**

Same circumstances as for Scenario B, but the employee that starts working for the employer on 1 January 2025.