



The Standard Fund Threshold (SFT) Information Note

The Standard Fund Threshold (SFT) in Ireland sets a limit on the tax-efficient value of pension benefits an individual can accumulate. SFT was applied to benefits payable for the first time on or after 7 December 2005.

Section 14(1)(e) of the Finance Act 2006 provides that a person with retirement benefits (from any source, including all public sector superannuation schemes, but excluding social protection benefits) with an aggregate capital value on drawdown above a specified standard fund threshold (SFT) is liable for tax on the amounts above that threshold.

The SFT has been set at €2 million since 2014 and has remained unchanged up to 2025. However, it will be increased by €200,000 annually from 2026 to 2029, reaching €2.8 million. From 2030, the SFT will be indexed to wage growth.

- 2025 - €2,000,000
- 2026 - €2,200,000
- 2027 - €2,400,000
- 2028 - €2,600,000
- 2029 - €2,800,000

Where the standard fund threshold, or any higher personal fund threshold (PFT) a person has received from Revenue, is exceeded, an upfront income tax charge of 40% on the chargeable excess arises. For further details see [Department of Public Expenditure and Reform Letter to Personnel Officers of 27 June 2014](#), please note there are worked examples in Appendix 3 of this document.

In certain circumstances, the standard rate lump sum tax may be offset against tax due on a chargeable excess as this has to be paid as part of lump sum gratuity process.

Only pension funds that have been crystallised are to be included in SFT calculations.

Important Note: The relevant declaration form is part of the Retirement Application forms. No benefits can be approved until the necessary completed forms have been received by the Scheme administrators.

In respect of pension accrued after 1 January 2014, the defined benefits factors in the Revenue Commissioners table below provide the age-related “decimal” term which is used in calculation of any “chargeable excess” taxation exposure.



Defined Benefit Factors			
Age	Factor	Age	Factor
50 & under	37	61	29
51, 52	36	62	28
53	35	63,64	27
54	34	65	26
55, 56	33	66	25
57	32	67,68	24
58	31	69	23
59, 60	30	70+	22

A factor of 20 applies in respect of pension accrued up to 1 January 2014.
See [Revenue Commissioner webpage](#) for further details.

TAX ON CERTAIN RETIREMENT LUMP SUMS

The tax-efficient lump sum threshold remains at €200,000, regardless of the SFT increases.

With effect from 1 January 2011, the combined value of a person's lump sums from approved Pension Schemes (including defined benefit / defined contribution occupational pension schemes, retirement annuity contracts, PRSAs and Additional Voluntary Contribution (AVC) arrangements) is subject to tax when that combined value exceeds a threshold of €200,000.

Tax due on retirement lump sums is calculated as follows:

Retirement lump sum taxation rates	
Amount of lump sum	Income tax rate
Up to €200,000	0%
€200,001 – €500,000*	20%
Over €500,000	PAYE and USC apply

* Further details on these rate can be found on the [Revenue Commissioners webpage](#).

ROLE OF PENSIONS ADMINISTRATOR - CHARGEABLE EXCESS

The administrator of a pension arrangement who deducts tax from a chargeable excess in accordance with section 787R Taxes Consolidation Act, must submit a Form 787S to the Collector-General and pay the tax, within three months of the



end of the month in which the pension becomes payable giving rise to when a chargeable excess may occur.

Tax on a chargeable excess is payable by the administrator of the relevant pension arrangement in the first instance although both the administrator of the relevant pension arrangement and the individual are jointly and severally liable for the tax due. This means that both the administrator and the individual are both liable for the whole charge to tax and that payment by one will discharge the liability of the other to the extent of the payment made.

Further details available in [Chapter 25 of Revenue's Pension Manual](#).

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