

Exemption in respect of periodic payments for personal injuries

Part 07-01-41

This document should be read in conjunction with section 189B of the Taxes Consolidation Act 1997

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1 Introduction

The Civil Liability (Amendment) Act 2017 introduced section 189B into the Taxes Consolidation Act (TCA) 1997. Section 189B TCA 1997 provides for an exemption from income tax in respect of periodic payments made to an individual on foot of a claim for damages in respect of personal injuries.

2 Periodic Payment Order

The Civil Liability (Amendment) Act 2017 amended the Civil Liability Act 1961 in order to empower the courts, as an alternative to awarding a lump sum, to make periodic payments under a periodic payment order (PPO) to compensate injured victims in cases of catastrophic injury where long term permanent care is required.

3 Section 189B TCA 1997

In order for an individual to qualify for an exemption under section 189B TCA 1997, an award of damages must be in the form of a periodic payment -

- (i) under a PPO under the Civil Liability Act 1961, or
- (ii) under an order or other instrument, made in accordance with the laws of another State, but that corresponds to an Irish PPO.

Payments under a PPO may relate to -

- the future medical treatment of the individual,
- the future care of the individual,
- the provision of assistive technology or other aids and appliances associated with the medical treatment and care of the individual, and
- where the parties consent in writing, damages in respect of future loss of earnings.

4 The Exemption

Where, for any year of assessment, an individual is in receipt of a periodic payment under a PPO, any such payment is exempt from income tax and is disregarded in computing income for the purposes of the Income Tax Acts.