

Deduction of tax from interest payments by certain Deposit takers

Part 08-04-01

This document should be read in conjunction with sections 256 – 267 TCA 1997

Document last updated March 2020

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Introduction

Chapter 4 Taxes Consolidation Act, 1997 introduced the “deposit interest retention tax scheme” (DIRT) whereby “**relevant deposit takers**” must deduct tax from “**relevant interest**” paid or credited by them on “**relevant deposits**”.

This manual sets out the principal features of the legislation as it has general application to the taxation of **depositors**.

1 Rates of Deposit Interest Retention Tax (D.I.R.T.)

1.1 Current D.I.R.T. Rate

Deposit Interest Retention Tax (D.I.R.T.), at the rate of 33% (from the 1st January 2020) is deducted at source by “relevant deposit takers” from interest paid or credited on deposits of Irish residents.

1.2 Historic D.I.R.T. Rates

The above D.I.R.T. rate was:

- 35% for the period 1st January 2019 to the 31st December 2019
- 37% for the period 1st January 2018 to the 31st December 2018
- 39% for the period 1st January 2017 to the 31st December 2017
- 41% for the period 1st January 2014 to the 31st December 2016
- 33% for the period 1st January 2013 to the 31st December 2013
- 30% for the period 1st January 2012 to the 31st December 2012
- 27% for the period 1st January 2011 to the 31st December 2011
- 25% for the period 8th April 2009 to the 31st December 2010
- 23% for the period 1st January 2009 to the 7th April 2009 and
- 20% for the period 1st January 2002 to the 31st December 2008.

1.3 Higher D.I.R.T. Rate

A higher D.I.R.T. rate applied to interest earned on a deposit where the interest could not be calculated annually or more frequently and the interest could not be determined until it was paid.

This higher D.I.R.T. rate was abolished, as and from the 1st January 2014, and the standard D.I.R.T. rate, as set out above, applies to any interest paid or credited on these deposits on or after the 1st January 2014.

The higher D.I.R.T. rate¹ was:

- 36% for the period 1st January 2013 to the 31st December 2013
- 33% for the period 1st January 2012 to the 31st December 2012
- 30% for the period 1st January 2011 to the 31st December 2011
- 28% for the period 8th April 2009 to the 31st December 2010
- 26% for the period 1st January 2009 to 7th April 2009 and
- 23% for the period 1st January 2002 to the 31st December 2008

2 Relevant deposit takers

All of the following are relevant deposit takers: -

- a licensed bank of any of the EU Member States,
- a building society of any of the EU Member States,
- a trustee savings bank,
- the Post Office Savings Bank,
- a credit union.

3 Relevant interest

Relevant interest is any interest paid or credited in respect of a relevant deposit whether that interest is paid annually or at less or more frequent intervals. In certain instances (e.g. tracker bonds), the interest payable may be linked or determined by changes in a stock exchange or other financial index.

Relevant interest, that has suffered D.I.R.T., is chargeable to tax under Case IV of Schedule D. The gross interest paid or credited in the year (not the interest accrued) is assessed, subject to a credit for tax deducted.

D.I.R.T. is a final liability tax. This means that the individual has no further tax liability in respect of the relevant interest, but the individual may be liable to PRSI in certain circumstances. The Universal Social Charge (USC) does not apply to relevant interest.

¹ Prior to 2009 this rate was expressed as standard DIRT + 3%. While the 3% differential was maintained, Finance Act 2009 changed this to being at a stated rate (28%). From then until 2013 the higher rate was a stated rate, rather than standard + 3%.

4 Certificates of relevant interest

Where DIRT has been deducted, the deposit taker must issue a certificate of relevant interest. All such certificates must show:-

- the gross amount of the interest paid or credited,
- the tax deducted,
- the net amount of the interest, and
- the date of payment.

The form of the certificate will indicate whether or not the interest is relevant interest from which tax has been deducted.

5 Relevant deposit

A deposit is a sum of money paid to a relevant depositor which is wholly or partly repayable.

A “relevant deposit” is defined as any deposit held by a relevant deposit-taker other than certain specified exceptions.

Some, but not all, of the exceptions are conditional on the completion of a prescribed or authorised declaration.

6 Exceptions conditional on a declaration

These exceptions relates to deposits made by -

- Non Residents (Section 263 TCA 1997) where **all** of the interest on the deposit is beneficially owned by a person or persons ordinarily resident outside the State (e.g. a joint account owned by an Irish resident and a foreign resident would be subject to the retention tax system). The declaration forms are supplied by the relevant deposit taker. Inspectors are entitled to examine declarations forms, and in certain circumstances, notices of non-residence under **Section 891 Taxes Consolidation Act, 1997**).
- An individual, his or her spouse or civil partner, aged 65 or over during the year, where their total income for the year (including their spouses or civil partners, if appropriate) will be below the annual income exemption limit.²
- Permanently incapacitated individuals, his or her spouse or civil partner, provided the deposit taker obtains a notification from the Revenue Commissioners to the effect that interest can be paid gross of D.I.R.T.

² For further information on the declarations to be completed please consult the Revenue website at: <https://www.revenue.ie/en/additional-incomes/dirt/who-is-exempt-from-dirt.aspx>

7 Exceptions not conditional on a declaration

Section 256 TCA 1997 and other specific legislative provisions provide that D.I.R.T. should not be deducted. Paragraph 2.5 of Tax and Duty Manual [Part 08-04-11](#) contains a full list of deposits from which D.I.R.T. should not be deducted.

Revenue practices allows for interest to be paid gross [i.e. without the deduction of D.I.R.T.] without the deposit-taker obtaining a declaration of non-residence that would otherwise be required under Section 263. Full details of the Revenue practice is contained in Paragraph 3.12 of Tax and Duty Manual [Part 08-04-11](#).

8 Repayment of tax

To qualify for a repayment of tax deducted under the retention tax system a taxpayer must be –

- a company within the charge to corporation tax,
- a registered charity,
- a person who or whose spouse or civil partner is 65 years of age or more at any time during the year of assessment and their total income (including their gross deposit interest) for the year (including their spouses or civil partners, if appropriate) will be below the annual exemption limit, or
- a person who or whose spouse or civil partner was throughout the year of assessment or became during the year of assessment permanently incapacitated by reason of mental or physical infirmity from maintaining himself or herself and whose (and whose spouse's or civil partner's) tax credits for the year exceed the tax that would be chargeable on their (and their spouse's or civil partner's) income for the year³.

Payments made in respect of the Magdalen Restorative Justice Ex-Gratia Scheme ("the Scheme") are exempt from income tax by virtue of section 205A TCA 1997. The exemption from tax also applies to any income or capital gains arising solely from the investment and/or reinvestment of the payments made under the Scheme.⁴ Accordingly, D.I.R.T. deducted from the interest earned on the investment of payments received under the Scheme can be refunded.

³ Tax and Duty Manual [Part 08-04-04](#) contains further information on D.I.R.T. Repayments to Individuals

⁴ Tax and Duty Manual [Part 07-01-23](#) contains further information on Ex-Gratia Magdalen Laundry Payments