

# Deposit Interest Retention Tax (DIRT) Exempt Accounts and Refund of DIRT

## Part 08-04-08

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## 1. Introduction

This instruction covers arrangements which allow some account holders, provided they meet certain conditions, to have any interest earned on money on deposit credited to their savings account by their Financial Institution without deduction of DIRT. This exemption from DIRT is for the benefit of individuals aged 65 years of age and over as well as for permanently incapacitated individuals.

## 2. Qualifying conditions (taxpayers aged 65 or over)

2.1 In order to claim exemption from DIRT, claimants under this heading must complete and **return a declaration form ([Form DE1](#)) directly to the Financial Institution**, stating that they or their spouse or civil partner (if they are married or in a civil partnership) meet the following conditions:

- either they or their spouse or civil partner (if appropriate) are aged 65 or over during the year, and
- their total income for the year (including their spouse's or civil partner's, if appropriate) will be below the relevant annual exemption limit.

2.2 The annual exemption limits may be increased if claimants have dependent children. A dependent child is defined as one who is:

- under 18 years of age, or
- over 18 years of age and in full-time education, or training full-time as an apprentice where the training is for at least two years, or
- incapacitated either physically or mentally, having become so before reaching 21 years of age or after reaching the age of 21 but while still in full-time education or while training full-time for a trade or profession for a minimum of two years.

2.3 Details of the [annual exemption limits](#) (including the increased limits for dependant children) are available on the Revenue website.

2.4 It should be noted that where a person's total annual income for the year marginally exceeds the exemption limit, or where their total income exceeds the annual exemption but their annual tax credits are such that they would be entitled to a full or partial refund of DIRT, they are not entitled to claim the exemption from DIRT by completing a declaration form but instead must claim any refund annually using Form 54 Claims

### 3. Qualifying conditions (Permanently Incapacitated Individuals)

3.1 In order to claim exemption from DIRT under this heading claimants must complete and return a declaration form ([DE2](#)) to Revenue stating that they or their spouse or civil partner (if they are married or in a civil partnership) meet the following conditions:

- either they or their spouse or civil partner (if appropriate) are permanently incapacitated by physical or mental infirmity from maintaining himself or herself, and
- the permanently incapacitated person (and their spouse or civil partner) would be entitled to a full refund of any DIRT if it had been deducted by a Financial Institution.

A person would be entitled to a refund of DIRT if their (and their spouse's or civil partner's) tax credits for the year exceed any tax payable (including DIRT tax) for the year.

3.2 **Note: permanently incapacitated individuals are not required to use the Form 54 Claims process to claim a refund of DIRT where their tax credits exceed any tax that would be payable by them. They can use the declaration process in these circumstances to claim a DIRT exemption.** This contrasts with the position of claimants who are aged 65 or over. Claimants aged 65 or over whose (and whose spouse's or civil partner's) income exceeds the exemption limit and whose tax credits exceed any tax that would be payable by them must use [Form 54 Claims](#) and are not entitled to claim the exemption.

Incapacitated persons, however, must use the [Form 54 Claims](#) process if they are claiming a partial refund of DIRT deducted, that is where their tax credits do not exceed the tax that would be payable by them.

3.3 In addition, trustees of a special trust for permanently incapacitated individuals under section 189A of the Taxes Consolidation Act 1997 can apply for exemption from DIRT in respect of an account held by the trust. This applies where the trust was set up exclusively for the benefit of one or more specified incapacitated individuals and the funds of such a trust were obtained by subscriptions from the general public.

## 4. Is the annual income below the relevant exemption limit?

In order for an individual to determine whether their income is below the relevant threshold they must calculate their total annual income from all sources. If the individual is married or in a civil partnership this calculation must be based on the combined incomes of both spouses or civil partners. Some examples of the types of income which might be included in such a calculation are:

- State Pension (Contributory) or State Pension (Non-Contributory)
- Invalidity Pension or Disability Allowance (Gross Figure)
- Deposit Interest (before DIRT)
- Dividend Income
- If the individual (or their spouse or civil partner) is paying an amount of money to a pension fund, this can be deducted from gross income to show total income.

## 5. Qualifying accounts

5.1 Accounts held in the sole name of a person meeting all the qualifying conditions whether they are aged 65 or over, or permanently incapacitated, qualify for DIRT-exempt status. In addition, if a qualifying person is married or in a civil partnership, accounts held in the sole name of their spouse or civil partner are similarly entitled to DIRT-exempt status.

5.2 A joint account, however, will only qualify for the DIRT exemption where the qualifying account holders are husband and wife or civil partners. In no other circumstances will joint accounts qualify for exemption e.g. joint accounts with more than two account holders.

5.3 In some instances, Financial Institutions can allow one person to have third party authority to operate a bank account on behalf of another person (usually a relative) without that person having formal Power of Attorney (see paragraph 8.4 below). Provided that the beneficial ownership of the account is unaffected and all other qualifying conditions are met, the account can be operated as a DIRT-exempt account.

## 6. Declaration forms

A separate declaration form is required from the account holder for each account held with each Financial Institution.

Individuals qualifying on the basis of being 65 years of age or older **must apply directly to their Financial Institution** to have a DIRT-exempt account by completing the [DE1 declaration form](#). Supplies of this declaration form are available from all relevant Financial Institutions, the Revenue website and are also available from all Revenue offices.

Individuals claiming on the grounds of permanent incapacity **must apply to Revenue** to have a DIRT-exempt account by completing the [DE2 declaration form](#). Supplies of this declaration form are available from the Revenue website, in all Revenue offices and from certain organisations dealing with disabilities.

Where a permanently incapacitated claimant qualifies for the DIRT exemption, Revenue will notify the relevant Financial Institution advising the institution that they should operate a DIRT-exempt account for the account holder in question.

The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

## 7. Level of checking required on declaration forms

7.1 Declarations completed by persons seeking to qualify on grounds of being 65 years of age or over are to be submitted by the applicant directly to the relevant Financial Institution for processing. If such a declaration is submitted in error to a Revenue office, it should be forwarded **without delay** to the relevant branch of the Financial Institution.

Since declarations from applicants aged 65 and over are made directly to the Financial Institution, no checking (other than post-verification checks set out in paragraph 12) will be carried out on these declaration forms in Revenue offices.

7.2 Declarations completed by persons seeking to qualify on grounds of permanent incapacity, on the other hand, are to be submitted by the applicant to their local Revenue office for processing. As the operation of DIRT-exempt status will, at the earliest, only apply to an account once the Revenue Notification is received by the Financial Institution, **these declarations should be treated as a priority and worked immediately upon receipt.**

7.3 As with declarations made by persons aged 65 or over, declarations by permanently incapacitated claimants should also be processed at face value bearing in mind the presumption of honesty clause in Revenue's Customer Charter. In the vast majority of cases, processing staff would not be expected to request evidence of the nature of a claimant's incapacity nor would they be expected to verify the grounds on which a refund of DIRT is claimed, e.g. due to the fact that a claimant's total income is less than the annual exemption limit.

7.4 Should, however, any staff member have any suspicions that any of the qualifying conditions claimed by an applicant are not valid they should make whatever enquiries they deem necessary to validate that the applicant is entitled to a DIRT-exempt account. Declarations should be closely examined to ensure that they have been completed fully and accurately. In this regard the following areas are particularly relevant: -

### **Names & Proper Signatories**

The name, address and PPSN of the account holder must be supplied and the declaration must be signed and dated by the account holder. If an applicant wishes to have a joint account exempted from DIRT, the full names and PPS numbers of the two account holders must be provided on the declaration form. In the case of joint accounts the signatures of both parties are required. If an account is in the sole name of a married person or civil partner and that person is claiming the DIRT exemption on the grounds that their spouse or civil partner is aged 65 or over or is permanently incapacitated, the name and PPSN of their spouse or civil partner must be supplied.

### **Power of Attorney cases**

There are instances where one person has authority, granted by a formal legal document called a Power of Attorney, to sign legal declarations on behalf of another person. Where an account holder has granted power of attorney to another person, that person may complete and sign the declaration on behalf of the account holder. A copy of the Power of Attorney should be supplied with the application.

### **Special Trusts for Permanently Incapacitated Individuals**

Applications made by a trustee of a special trust must provide their tax reference number as trustee and must also supply details of the name of the special trust and the name(s) of the beneficiary(ies). Only one of the trustees (if there are more than one) is required to sign the declaration.

7.5 Declarations that are incomplete or completed inaccurately should be returned as soon as possible to the applicant indicating the reason why the form is being returned.

## **8. Changes to the status of a DIRT-exempt account**

In most cases, if a person meets the qualifying conditions, the DIRT exemption will continue indefinitely. However, there will be occasions where personal circumstances change and the interest on exempt accounts may once more become liable to DIRT. If this occurs account holders qualifying on the basis of being 65 years of age or older must **immediately** inform their Financial Institution - those qualifying on grounds of permanent incapacity must inform Revenue. Examples of such circumstances would include: -



- where they or their spouse or civil partner (if appropriate) no longer qualify because their total income exceeds the relevant exemption limit for the year
- where the beneficial ownership of the deposit interest has changed and the new or additional beneficial owner is not their spouse or civil partner
- where their spouse or civil partner has died and they, the surviving spouse or civil partner, are under 65 years of age or are not permanently incapacitated
- where the surviving spouse or civil partner of a joint account notifies the Financial Institution in writing that his or her spouse or civil partner (aged 65 or over) has died and the widow(er) or surviving civil partner is not 65 years of age or over or is not permanently incapacitated
- where they have divorced or dissolved civil partnership and they are under 65 years of age or are not permanently incapacitated
- upon the death of a sole account holder. DIRT-exempt status will cease from the date of formal notification of the death, i.e. the date of receipt of a death certificate, or
- where Revenue cancel the Notification and notify the Financial Institution accordingly.

In these circumstances, in the case of those qualifying under the age rule the Financial Institution is instructed to change the status of the account back to a DIRT-bearing account from the date the information is received from the account holder. In the case of a permanently incapacitated account holder, the Revenue office that is notified by the account holder of their changed circumstances must notify the relevant Financial Institution(s) **immediately**. Care should be taken to ensure that all relevant Financial Institutions with which that person holds an account, and in respect of which they have been granted DIRT-exempt status, are informed, by way of headed letter, of the need to change the account(s) back to a DIRT-bearing account.

## 9 Transitional arrangements

9.1 A Financial Institution will not be in a position to operate the DIRT exemption on a particular account until a properly completed declaration form is received from an account holder or a notification is received from Revenue. Most Financial Institutions are unable to backdate the exemption. Therefore, in the first year that a person makes a claim for DIRT exemption, although the exemption should be applied to any interest from 1 January in that year, for a certain period during the year DIRT may actually have been deducted by the Financial Institution from any deposit interest accruing to the account holder. In these circumstances, assuming all the conditions of the exemption are met, the person will be entitled to a refund of the DIRT that was deducted and entitled to claim it back from Revenue using the Form 54 Claims. The DIRT exemption will apply for all succeeding years in which the person is entitled to the exemption, provided they have completed a declaration for each of their accounts.

## 10. Obligations on Financial Institutions to notify Revenue of dubious claims

There is a general obligation under the Criminal Justice Act 1994 (as amended) on Financial Institutions to notify An Garda Síochána and Revenue of suspected offences including tax offences. This obligation applies to this scheme.

## 11. Reporting

Financial Institutions are obliged to report annually on an electronic file, details of gross interest applied to accounts with exempt status under this scheme. The report will include the following details in respect of each such account (details refer to account holders).

- Names(s)
- Address
- PPS Number(s)
- Account number
- Date(s) of Birth
- Gross interest for the year in question (this may include interest for a portion of the year where DIRT was deducted prior to the exemption being applied).

To minimise the number of cases being reported, Financial Institutions will only report cases with DIRT-exempt status at 31 December in the reporting year, where gross interest was in excess of €635.

In order to monitor the overall number of accounts with exempt status under this scheme, Financial Institutions will be required to report the total number of accounts with DIRT-exempt status under this scheme at 31 December, on the End of Year Return of DIRT. This return is due by 15 January.

## 12. Compliance activity

Revenue offices will be required to carry out compliance activity in respect of a sample of these accounts to confirm that the conditions under which the individual who has claimed DIRT-exempt status directly from the Financial Institution continue to be valid. This may involve requesting copies of the declaration forms held by the Financial Institution.

Where compliance activity identifies accounts that no longer qualify for DIRT-exempt status, Revenue will notify the account holder directly and notify the Financial Institution to cease the DIRT-exempt status. The Financial Institution should treat the account as a DIRT-bearing account from the date of receipt of the notification from Revenue.

## 13. Revenue contacts

The Revenue contact for general enquiries by the Financial Institutions on the overall administration of the scheme is:

Services and Transactions Taxes Unit

Office of the Revenue Commissioners

Mill Lane

Listowel

Co. Kerry.

Phone: 01 738 36 63

Online requests may be sent through MyEnquiries (please see Tax and Duty Manual [Part 37-00-36](#) ). For the category ('Enquiry relates to'), please select Deposit Interest Retention Tax.