Dividend Withholding Tax

Real-Time Reporting

October 2019

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

Real-Time Reporting for Dividend Withholding Tax. (DWT)

1. Background and Context

The Minister for Finance, in his Budget Statement of 8 October 2019, announced a new collection process for applying and collecting Dividend Withholding Tax (DWT) from dividends and distributions made by Irish resident companies to individuals. The objective of this new process is to ensure individuals pay the correct amount of income tax and USC on dividend payments at the right time.

Currently Irish resident companies are obliged under the provisions set out in Chapter 8A of Part 6 of the Taxes Consolidation Act 1997 to withhold tax on dividend payments and other distributions that they make to Irish resident individuals.

Dividends paid, as well as other distributions made by Irish-resident companies to individuals are treated as income and are liable to income tax at the individual's marginal rate of income tax, that is the highest rate of income tax to which they are liable. Universal Social Charge (USC) is also chargeable on the payments as well as PRSI in certain instances. So even though DWT has been paid on the dividend a further amount of tax may be due. This leads to both overpayments of tax, i.e. instances where individuals must claim refunds of tax or underpayments of tax, i.e. instances where individuals owe Revenue a different amount of tax.

We are now in an era where modern information and communications technologies present opportunities for real-time reporting. The modernisation which Revenue proposes to implement will better accommodate paying the right tax at the right time.

2. Implications for Companies and Authorised Withholding Agents (AWA)

The key objective of new DWT process is for individuals in receipt of dividend income to pay the right tax at the right time. To achieve this outcome, Revenue will make available a personal withholding rate to allow companies who pay dividends directly to individuals to calculate the dividend withholding tax to be deducted for each individual. The company will report in real-time to Revenue for each individual the gross dividend paid and the associated dividend tax withheld. For this to operate companies will be required to obtain a Personal Public Service Numbers (PPSN) for each individual.

Under the proposed new system, Revenue will inform the company of the amount of DWT to deduct. Currently all DWT deducted by the paying company must be paid to Revenue by the 14th of the month following that in which the distribution is made and these dates will not change in the new DWT process.

There is no proposal to change the return dates or due dates for companies to pay over the DWT deducted.

The DWT legislation makes provision for an entity known as an AWA. The AWA must be authorised and approved by Revenue. DWT does not apply where an Irish resident company makes a relevant distribution to an AWA for the benefit of a person who is beneficially entitled to the distribution, not being the AWA itself. This is regardless of whether the ultimate beneficiary is a liable or an exempt person. The DWT legislation provides that the AWA must effectively step into the shoes of the company and operate the DWT scheme when it is paying the distribution. This will not change in the new DWT process. The AWA will continue to take over the responsibility of the paying company as far as DWT is concerned.

3. ***Implications for Qualifying Intermediaries (QI) and Non QI***

A QI is an entity who can receive distributions on behalf of other persons, for example, a nominee or custodian. This is recognised in the DWT legislation, which makes provision for exemption at source in such cases. In order for an intermediary to receive dividends without the deduction of DWT on behalf of a client who is not liable to pay DWT, the intermediary must have entered into a "Qualifying Intermediary Agreement" with Revenue. In doing so the intermediary becomes a "Qualifying Intermediary" (QI) under the DWT legislation. Revenue will continue to allow QIs to create and maintain separate and distinct categories of funds known as exempt and liable funds. In advance of a distribution being made, the QI may accept declarations of exemption from non-liable persons and notifications from other QIs and, on foot of these declarations and notifications, notify the paying company in writing whether the distribution is for the benefit of non-liable or liable persons. The distributions for non-liable persons can then be paid gross by the paying company and will go into the QI's exempt fund while the distributions for liable persons will go into the liable fund. This will continue in the new process.

For the new system to operate correctly, QIs will be required to obtain a PPSN for each individual before a distribution is made to an individual on or after 1 January 2021.

4. Implications for Individuals in receipt of Dividend income.

As stated previously the key objective of this new process is to ensure individuals pay the correct amount of income tax and USC on dividend payments at the right time. Revenue will make available a personal rate of tax to enable the ultimate recipient of the dividend to pay the appropriate amount of DWT.

The personal rate of tax will be determined by Revenue having regard to the income tax rates and the USC rates and may be based on estimated income and information available to Revenue. The personal rate will be made available to each individual. Where the individual's circumstances change, they can advise Revenue of any change in circumstances which may ultimately affect the personal withholding rate.

The dividend income received by Revenue from the payer will be made available to the individual. The dividend amount, as well as credit for the DWT paid will be pre-populated onto the individual's income tax return. In the case of individuals who are taxed under the PAYE system the income amount, as well as credit for the DWT paid will be included on the individual's End of Year Statement.

From the dividend recipient's perspective, their dividend income is taxable at their marginal rate. This will not change under the new DWT process but the application of personalised withholding at their marginal rate simplifies their payment of the correct amount of tax.

5. Exemptions.

There is no proposal to amend the current DWT exemptions, these exemptions will continue.

6. Benefits.

The objective of this new process is to ensure individuals pay the correct amount of income tax and USC on dividend payments at the right time. This will reduce instances where overpayments and underpayments of tax occur and ultimately reduce the administrative cost associated with both collecting and refunding income tax and USC.

7. Timeframe for Delivery

It is planned that the new DWT real-time reporting process will be operational for all dividends paid on or after 1 January 2021.

8. Consultation Process

Revenue is interested in the views of companies, QIs, non-QIs, AWAs, stock brokers, shareholders, representative bodies and any other interested persons. Complementing this this public consultation process, Revenue will engage directly with relevant representative bodies on DWT real-time reporting, especially as the detailed arrangements underpinning this process are being developed.

Submissions to the Consultation Process

This public consultation process will run from 9 October to 12 December 2019. Any submissions received after this date may not be considered.

Please respond by email to: realtimeDWT@revenue.ie

When responding, please indicate if you are a company, QI, non-QI, AWA, stock broker, shareholder, representative body or other interested person.

Responses to this consultation are subject to the provisions of the Freedom of Information Acts. Revenue may, in time, publish all submissions received as part of this consultation on www.revenue.ie.