

Deposit Interest Retention Tax (D.I.R.T.) Tax Treatment for Individuals

Part 08-04-03

This document should be read in conjunction with Chapter 4, Part 8 Taxes
Consolidation Act 1997

Document last reviewed March 2025

Table of Contents

| | |
|---|---|
| Introduction | 3 |
| 1 Final Liability Tax | 3 |
| 2 Repayments of D.I.R.T. to individuals | 3 |
| 3 Example..... | 4 |

Introduction

This Manual:

- (i) gives details of the tax treatment of relevant interest, and
- (ii) illustrates the operation of the provisions governing repayment of Deposit Interest Retention Tax (“D.I.R.T.”) to individuals where marginal relief¹ is due.

1 Final Liability Tax

In the case of an individual D.I.R.T. is a final liability tax, which means that an individual has no further tax liability in respect of the deposit interest. However, the individual may be liable to PRSI in respect of the deposit interest. To ensure that no further tax liability can arise in respect of individuals’ deposit interest which has been subjected to D.I.R.T., section 261(c) Taxes Consolidation Act 1997 (“TCA 1997”) provides that:

- (i) except for the purposes of a claim to repayment, the exemption limits are extended by the amount of such deposit interest.
- (ii) relevant interest is taxed at the rate that D.I.R.T. was deducted from the relevant interest.

For example, a married couple on aggregation (with only one spouse in employment) whose 2022 income includes deposit interest of €5,000 are chargeable as follows:

| | |
|---------------------------------|-------|
| First €45,800 of taxable income | @ 20% |
| Deposit interest €5,000 | @ 33% |
| Balance of taxable income | @ 40% |

2 Repayments of D.I.R.T. to individuals

The categories² of individuals who qualify for repayment of D.I.R.T. are:

- a chargeable person, or his/her spouse or civil partner, who is over 65 at any time during the tax year, where the total income of the individual and his/her spouse or civil partner (if appropriate) for the year is below the relevant annual exemption limit;
- and

¹ For more information on marginal relief please refer to Tax and Duty Manual (TDM) [Part 07-01-18](#)

² While this TDM deals with categories of individuals who are fully exempt from DIRT, there are certain individuals who may be in receipt of a type of income which is exempt from DIRT, such as individuals who are in receipt of ex-gratia Magdalen laundry payments (refer to TDM [Part 07-01-23](#))

- a chargeable person, or his/her spouse or civil partner, who is permanently incapacitated prior to the end of the tax year and whose (and his/her spouse's or civil partner's) tax credits for the year exceed the tax that would be chargeable on their (and his/her spouse's or civil partner's) income for the year.

3 Example

An example of a 2022 computation of repayment of D.I.R.T. in respect of a married person, aged 70, with no dependent children, follows. The tax chargeable takes account of the appropriate exemption limit (including marginal relief³).

A claim for repayment of D.I.R.T. cannot result in an increased charge to tax on the claimant. **Accordingly, the computation showing the largest repayment is to be used in each case.**

In each computation, the deposit interest is taxed at the rate that D.I.R.T. was deducted from the relevant interest [i.e. 33%].

In “**computation 1**” the ordinary exemption limit for the case is increased by the amount of relevant interest, other than Special Savings Account [SSA] interest. Since the limits may not be increased for the purpose of computing repayment, the D.I.R.T. is treated as a non-repayable credit. Thus, where the taxpayer has no liability (apart from the D.I.R.T.) the credit shown for D.I.R.T. is zero.

In “**computation 2**” the D.I.R.T. is treated as a repayable credit. Since this computation has been prepared for the purpose of deciding if repayment of D.I.R.T. arises, the ordinary exemption limit applies.

In “**computation 3**”, SSA interest is treated as part of the taxpayer's total income for the purpose of determining if a repayment of the D.I.R.T. deducted on the SSA interest is due. The ordinary exemption limit applies.

Detailed Workings – 2022

Computation 1 (exemption increased by amount of relevant interest)

Computation 2 (ordinary exemption - to decide if DIRT to be repaid)

Computation 3 (claimant includes SSA interest)

Repayment is the most beneficial of the three computations.

³ Marginal Relief applies when an individual's total income exceeds the exemption limit. The individual's income in excess of the exemption limit is taxed at 40% to determine if marginal relief applies. Marginal relief is granted where it is more beneficial for the individual than their normal tax credits and reliefs

Computation 1

| | | |
|---------------------------------------|--|---------------|
| Tax payable under normal rules | | € |
| Deposit Interest | | 3,000 |
| PAYE Income | | <u>41,800</u> |
| Total Income | | 44,800 |

Chargeable as follows:

| | | |
|------------------|--------------|--------------|
| PAYE Income | 41,800 @ 20% | 8,360 |
| Deposit Interest | 3,000 @ 33% | 990 |
| | | <u>9,350</u> |

Less: Tax Credits

| | | |
|--------------------------------|------------|--------------|
| Married Persons Credit | 3,400 | |
| PAYE Credit | 1,700 | |
| Age Credit | <u>490</u> | |
| Total Credits | | <u>5,590</u> |
| Gross Tax Liability | | 3,760 |
| Credit: non-repayable D.I.R.T. | | 990 |
| Net Tax Liability | | 2,770 |

Marginal Relief Calculation

| | | |
|-------------------------|--------------|------------|
| Total Income [as above] | | 44,800 (A) |
| Basic Exemption | 36,000 | |
| Deposit Interest | <u>3,000</u> | |
| Exemption Limit | | 39,000 (B) |
| (A) – (B) = | | 5,800 |

Tax payable not to exceed 40% of the amount by which the individual's Total Income exceeds the exemption limit

| | | |
|------------------|-------------|-------|
| [i.e. (A) – (B)] | 5,800 @ 40% | 2,320 |
|------------------|-------------|-------|

| | |
|--------------------------------|--------------|
| Tax payable under normal rules | 2,770 |
| Tax payable not to exceed | <u>2,320</u> |
| Marginal Relief | 450 |

| | |
|----------------------|----------------|
| Marginal Relief | 450 |
| Tax payable | 2,320 |
| Credit tax paid PAYE | <u>(2,770)</u> |
| Repay | 450 |

| Computation 2 | | € |
|---|--------------|-------------------|
| Gross Tax Liability as calculated above | | 3,760 |
| Marginal Relief Calculation | | |
| Total Income [as above] | | 44,800 (C) |
| Basic Exemption | | <u>36,000 (D)</u> |
| Difference | | 8,800 |
| Tax payable not to exceed 40% of the amount by which the individual's Total Income exceeds the Basic Exemption | | |
| [i.e. (C) – (D)] | 8,800 @ 40% | 3,520 |
| Tax payable under normal rules | | 3,760 |
| Tax payable not to exceed | | <u>3,520</u> |
| Marginal Relief | | 240 |
| Marginal Relief | | 240 |
| Tax Payable | | 3,520 |
| Credit DIRT | 990 | |
| PAYE | <u>2,770</u> | <u>(3,760)</u> |
| Repay | | 240 |

Amount of repayment is the more beneficial of computations 1 and 2 viz. €450

| Computation 3 | € |
|----------------------|---------------|
| Deposit Interest | 3,000 |
| SSA Interest | 2,500 |
| PAYE Income | <u>41,800</u> |
| Total Income | 47,300 |

Chargeable as follows:

| | | |
|------------------|--------------|---------------|
| PAYE Income | 41,800 @ 20% | 8,360 |
| Deposit Interest | 3,000 @ 33% | 990 |
| SSA Interest | 2,500 @ 33% | 825 |
| | | <u>10,175</u> |

Less: Tax Credits

| | | |
|------------------------|------------|--------------|
| Married Persons Credit | 3,400 | |
| PAYE Credit | 1,700 | |
| Age Credit | <u>490</u> | |
| Total Credits | | <u>5,590</u> |
| Gross tax liability | | 4,585 |

Marginal Relief Calculation

| | | |
|---|----------------|------------|
| Total Income [as above] | | 47,300 (E) |
| Basic Exemption | | 36,000 (F) |
| Difference | | 11,300 |
| Tax payable not to exceed 40% of the amount by which the individual's Total Income exceeds the Basic Exemption [i.e. (E) – (F)] | | |
| | 11,300 @ 40% = | 4,520 |
| Tax payable under normal rules | | 4,585 |
| Tax payable not to exceed | | 4,520 |
| Marginal Relief | | 65 |

| | | |
|------------------------------|--------------|----------------|
| Marginal Relief | | 65 |
| Tax Payable | | 4,520 |
| Credit Deposit interest DIRT | 990 | |
| Credit SSA DIRT | 825 | |
| PAYE Deducted | <u>2,770</u> | <u>(4,585)</u> |
| Repay | | 65 |

Amount of repayment is the more beneficial of computations 1, 2 and 3 viz €450.