

# 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

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## 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 relief<sup>1</sup> 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 2019 income includes deposit interest of €5,000 are chargeable as follows:

First €44,300 of taxable income	@ 20%
Deposit interest €5,000	@ 35%
Balance of taxable income	@ 40%

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

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

The categories<sup>2</sup> 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
- a chargeable person, or his/her spouse or civil partner, who is permanently incapacitated prior to the end of the tax year.

## 3 Example

An example of a 2019 computation of repayment of D.I.R.T. in respect of a married person aged 70 follows. The tax chargeable takes account of the appropriate exemption limit (including marginal relief<sup>3</sup>).

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. 35%].

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.

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<sup>2</sup> 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](#))

<sup>3</sup> 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

**Detailed Workings – 2019**

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.

**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 @ 35%	<u>1,050</u>
		9,410

Less: Tax Credits

Married Persons Credit	3,300	
PAYE Credit	1,650	
Age Credit	<u>490</u>	
Total Credits		<u>5,440</u>
Gross Tax Liability		3,970
Credit: non-repayable D.I.R.T.		<u>1,050</u>
Net Tax Liability		2,920

**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
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Tax payable under normal rules	2,920
Tax payable not to exceed	<u>2,320</u>
Marginal Relief	600

Marginal Relief	<u>600</u>
Net tax payable	2,320
Credit tax paid PAYE	<u>(2,920)</u>
Repay	600

**Computation 2**

	€
Gross Tax Liability as calculated above	3,970
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	3,970
Tax payable not to exceed	<u>3,520</u>
Marginal Relief	450
Marginal Relief	<u>450</u>
Tax Payable	3,520
Credit DIRT	1,050
PAYE	<u>2,920</u> <u>(3,970)</u>
Repay	450

Amount of repayment is the more beneficial of computations 1 and 2 viz. €600

**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 @ 35%	1,050
SSA Interest	2,500 @ 35%	<u>875</u>
		10,285

## Less: Tax Credits

Married Persons Credit	3,300	
PAYE Credit	1,650	
Age Credit	<u>490</u>	
Total Credits		<u>5,440</u>
Gross tax liability		4,845

**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		4,845
Tax payable not to exceed		4,520
Marginal Relief		325

Marginal Relief		<u>325</u>
Tax Payable		4,520
Credit DIRT	1,925	
PAYE Deducted	<u>2,920</u>	<u>4,845</u>
Repay		325

Amount of repayment is the more beneficial of computations 1, 2 and 3 viz €600