

## INTEREST

### Interest payable

Relief is available for interest on money borrowed:

- for the purpose of a trade or profession carried on by an individual or company
- for the purchase of, or expenditure on, a rented property
- by an individual to invest in or to lend to a partnership in the conduct of whose business the individual acts as a partner

Relief is also available for interest on money borrowed to acquire an interest in or to lend to a company, as follows:

#### A. Individuals

Unrestricted relief is available to individuals

- who have worked for the greater part of their time in the management or conduct of the business of a trading company or a holding company, or of a connected company and who have a material interest (more than 5% of equity) in the company.
- for the full time or part time directors and employees of a private trading company and to the full time directors or employees of a private holding company (even if a material interest is not held).

#### B. Companies

- Relief is available to a company which borrows money to acquire an interest in, or to lend to a company which is trading, a rental company or a holding company. To qualify for relief, the investing company must have a material interest (more than 5% of equity) in the company in which it is investing or in a connected company and at least one director who is also a director of that company or a connected company. Certain additional conditions also apply such as where the money is lent to a company it must be used for the trade or business of the company or of a connected company. Recovery of capital and other anti avoidance rules may also restrict relief. An anti avoidance measure denies relief for related party borrowing used to finance the acquisition of a related entity subject to a number of relaxations.

### Deposit Interest Retention Tax (DIRT)

#### Standard rate DIRT accounts

Income tax at the standard rate (20%) is deducted at source by banks, building societies, credit unions, trustees savings banks and the Post Office Savings Bank from interest paid or credited annually or at more frequent intervals on deposit accounts in the beneficial ownership of individuals resident in Ireland. The tax deducted satisfied an individual's full liability to income

tax on such interest. However, the health contribution (2.5%) is also payable on such interest received.

### **23% DIRT accounts**

For interest paid or credited on other deposit accounts (e.g. where interest is credited at maturity), income tax at the standard rate plus 3% is deducted at source.

### **Repayments**

DIRT deducted may be refunded to the following:

- individuals aged 65 or over
- incapacitated individuals (interest may be paid gross in certain cases)
- charities
- companies that do not have a corporation tax liability.
- non-residents who complete the appropriate form may receive interest without a DIRT deduction.