

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 (but may be restricted in certain tax avoidance situations)
- 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:

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.

Unrestricted relief is also available to 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).

Relief is not available for interest on money borrowed to acquire shares in or to lend to a quoted company except where the investment was made when the company was unquoted, in which case transitional provisions apply.

Companies: Relief is available to a company which borrows money to acquire an interest in, or to lend to, a company which is a trading company, a rental company or a holding company. To qualify for relief, the investing company must have a material interest (more than 5% of the 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 of a connected company.

Certain additional conditions also apply: for instance, 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.

There is a restriction on the amount of interest relief available to an investing company providing funds to a company entitled to capital allowances for specified intangible assets. An anti-avoidance measure denies relief for related-party borrowing used to finance the acquisition of a related entity. The measure is subject to a number of relaxations.

Deposit interest retention tax (DIRT)

25% DIRT accounts: Income tax at the rate of 25% (23% up to 7 April 2009) is deducted at source by banks, building societies, credit unions, trustee 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 will satisfy an individual's full liability to income tax on such interest. However, the health contribution (4%/5% from 1 May 2009) is payable on such interest received.

28% DIRT accounts: For interest paid or credited on other deposit accounts (eg where interest is credited at maturity), income tax at the rate of 28% (26% up to 7 April 2009) is deducted at source.

Repayments: DIRT deducted will only be repaid to the following:

- individuals or their spouses aged 65 or over who are not liable to income tax (interest may be paid gross subject to an appropriate declaration)
- incapacitated individuals (interest may be paid gross in certain cases)
- charities
- companies that do not have a corporation tax liability.

Non-residents: Interest received by non-resident individuals who complete the appropriate declaration form may be paid without deduction of DIRT.

Planning tip!

Review your company structure annually to ensure that the conditions for interest relief remain satisfied.