

**DEDUCTION OF TAX  
FROM PAYMENTS OF  
INTEREST**

On the payment of yearly interest:

1. By a company to any party, tax must (in almost all instances) be deducted at source
2. By an individual to any party other than a non-resident, payment should be made gross (that is, without deduction of tax)
3. By an individual to a non-resident, tax must be deducted at source.

Interest on the balance of purchase money payable in respect of a conveyancing transaction is regarded as yearly, because it could technically cover a period in excess of a year. This was held to be the case in *Bebb v Bunny* (1854), and it has been confirmed by the Revenue Commissioners as being their acknowledged practice.

Tax in the foregoing context means tax at the standard rate and, where deducted at source:

- a) Same should be accounted for to the Revenue Commissioners by the party deducting, who
- b) Should forward to the recipient of the interest a certificate of deduction in Form 185 or its equivalent.

Payments of short (that is, non-yearly) interest should in all instances – irrespective of the identities of the payer and of the recipient – be paid without deduction of tax.

This note has been approved by the Revenue Commissioners.