

TAX

COVID-19 Practical Considerations: Deferral of DWT Real-time reporting

19 May 2020

In October 2019, the Minister for Finance announced changes to Dividend Withholding Tax (DWT) on dividends and distributions made by Irish resident companies. The objective of these changes was to ensure that individuals pay the correct amount of Income Tax and USC on dividend payments at the right time.

Revenue today issued the following statement :

"Having regard to the scale of the challenge facing the industry in preparing for the transfer of the Irish equities market to a new settlement system by March 2021, feedback obtained through the consultation and engagement processes with stakeholders, as well as being cognisant of the many challenges in the current environment (due to COVID-19), Revenue has decided to postpone the introduction of the DWT real-time reporting changes that were planned for January 2021."

LISTED COMPANIES

This deferral will be welcomed by all affected companies in the context of the COVID-19 crisis but, in particular,

listed companies who faced a number of significant challenges in applying DWT real-time reporting. In our response to the public consultation on DWT Real-time reporting, Arthur Cox proposed that listed companies should be excluded from the real-time reporting requirement. This is because listed companies' shareholders consist largely of institutions, pensions funds, investment funds, treaty protected non-Irish residents and other entities that are exempt from DWT and therefore are in a fundamentally different position than private companies whose shareholders are often solely comprised of Irish tax resident individuals. Accordingly dealing with the challenges of applying real-time reporting and the costs involved in developing IT systems to facilitate this change for listed companies would be a significant cost with little or no benefit to the State.

In addition, as acknowledged in the Revenue statement today, CREST is being replaced as the central securities depository for Irish issuers in 2021. The migration from CREST to Euroclear Bank is a complex project that is impacting all market participants, so the deferral

of DWT real-time reporting while this migration is ongoing is welcome. Finally, the delay will give time for Revenue to consult with the Data Protection Commissioner and, if required, to undertake the mandatory Data Protection Impact Assessment.

DEFERRED IMPLEMENTATION

The revised implementation date has not been announced but Revenue has indicated that it will engage with stakeholders in advance of the resumption of the change management programme and will ensure that adequate time is allocated to the delivery of any development work associated with DWT real-time reporting. It remains to be seen what form the DWT real-time reporting regime will take when this project is recommenced, but listed companies will welcome the opportunity to re-engage with Revenue in relation to the particular challenges for them in applying the proposed regime.

If you would like further information on this matter please contact a member of our tax team.

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