

Exemption of Local Authorities and Certain Other Bodies from Income Tax

Part 7 chapter 1

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1. Introduction

- 1.1 Local authorities and certain other bodies were excluded from the charge to corporation tax by virtue of Section 4(1) TCA 1997 and from the charge to capital gains tax by virtue of Section 610 and Schedule 15, Part 1 TCA 1997.
- 1.2 Section 214 TCA 1997 exempts these bodies from income tax on any income arising to them, other than income to which deposit interest retention tax applies.

2. Exempt Bodies

The exemption applies to:

- (a) local authorities,
- (b) the Health Service Executive,
- (c) vocational education committees, and
- (d) committees of agriculture.

The term "local authority" is defined in **section 214** in terms of the Local Government Act 1941 and the Local Government Services (Corporate Bodies) Act 1971. However, by virtue of the Local Government Act 2001, references to "local authority for the purposes of the Local Government Act 1941" and to similar or analogous expressions are now to be construed as references to "a county council, city council or town council, and where the context so requires includes a joint body" within the meaning respectively assigned to each of those terms in the Local Government Act 2001.

3. Notes

- 3.1 **Section 214** does not confer exemption from deposit interest retention tax. Repayment of deposit interest retention tax should not accordingly be made to bodies falling within section 214 unless they have established title to charity exemption. Local authorities are not normally entitled to charity exemption.
- 3.2 Exempt bodies, including local authorities, in receipt of dividends from Irish companies, are entitled to repayment of the tax withheld.

- 3.3 The exemption does not affect the obligation to deduct tax from annual payments and account for it to the Revenue Commissioners. This should not be overlooked when carrying out an examination of an exempt body.