(RCT) Relevant Contracts Tax

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Topics

Session 1:

- Introduction – why and when RCT applies
- RCT Fundamentals – Scope & Key Definitions

Session 2:

- Practical Issues Discussed
- Penalties, Compliance, Risk & Revenue Audits
- RCT in Practice – Contracts & Operations
- VAT and RCT – Reverse Charge explained

Session 3:

- Accounting for RCT & Financial Reporting
- Emerging Issues
- RCT Administration & Revenue Online Service (ROS)

RCT and VAT

- Basic point (but I often have to think about it for a second!):
- Normal position:
- Vat is charged by person providing the service
- RCT is applied by people making payments
- But, where dealing with construction services in which RCT apply, person receiving services doesn’t hand over VAT to service provider .
- We will keep coming back to this slide to remind me of the position!

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Overview

- Relevant Contracts Tax (RCT) applies to **payments** made by a **principal contractor** to a **subcontractor** under a **relevant contract** i.e. a contract for the carrying out of, or the supply of labour for the carrying out of, relevant operations in the construction, meat processing and forestry industries.

- Since 2012 RCT operates as an electronic system and all interaction between the principal contractor and Revenue is through Revenue’s Online Service (ROS).

- The rates of tax will depend on the subcontractor’s compliance record with Revenue. The three tax rates in the RCT system are 0%, 20% and 35%.

Rationale

- First introduced in 1970 to counter tax evasion by subcontractors and serious compliance issues in the construction industry.
- RCT is a withholding tax mechanism to ensure those involved in construction, forestry and meat processing operations are tax-compliant.

Key Terms

Key Terms

- Principal contractor
- Subcontractor
- Relevant contract
- Relevant operations (in order to be a relevant contract, the contract must be for relevant operations).

Principal Contractors

Principal Contractors

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- A principal contractor is defined in the context of “relevant contract” in section 530(1) TCA 1997.
- A principal contractor is a person who uses a subcontractor to carry out activities on behalf of their business. This applies to the construction, meat processing and forestry industries.

Principal Contractors

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- Section 530A also provides the following persons are also principal contractors:

  A person who -

  - is connected to a company involved in any of the above activities;
  - **is a local authority, public utility society or housing association;**
  - is a Government Minister;
  - is a board or body established under statute;
  - carries on gas, water or electricity work;
  - carries on hydraulic power, dock, canal or railway work; or
  - carries out the installation, alteration or repair of telecommunications systems.

Principal Contractors

- I'm a principal contractor – so what?
- Principal contractors must register with Revenue.
- Remember (and it seems obvious!): Principal contractors must operate RCT.
- Tax and Duty Manual 18-02-02: Relevant Contracts Tax: Who is a Principal Contractor – very useful
- In simple terms – remember: **As a starting point, a builder is <u>not</u> a principal** – but they become a principal contractor where they subcontract work someone hired them to do!

Principal Contractors – Own use exemption

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the landlord should be VAT neutral.

Tenant covenants to carry out landlord's category "A" fit-out works

If the lease agreement includes a building covenant whereby the tenant agrees to undertake any category "A" fit-out works for the landlord/developer, the tenant will be a principal contractor under its own contract with its builder for RCT purposes.

Section 530A(1)a of the Taxes Consolidation Act (TCA) 1997 states that a person who, with respect to all or any part of a relevant contract, is the *contractor* under another relevant contract, is a principal contractor for RCT purposes.

The landlord may have to operate RCT on the payment made to the tenant if the landlord him/herself is a principal for RCT purposes. This common feature of leases in newly developed buildings can cause difficulties for the unsuspecting landlords/developers and tenants.

The "own use" exemption of section 530A(2) states that a builder or land developer is not to be treated as a principal *solely* by reason of the fact that he/she constructs a building or develops land in relation to such a building if the building is for his/her own use or occupation or the use or occupation of his/her employees. In this case, the tenant will be a principal contractor due to its agreement to carry out category "A" works (such as basic internal surface finishes, mechanical and electrical services, etc.) for the landlord. Therefore, the exclusion will not apply with respect to the tenant's own works where those works are considered to be "construction operations" from an RCT perspective.

Subcontractors

Subcontractors

- A subcontractor is a person who enters into a relevant contract with a principal contractor in the construction, forestry or meat processing industries.

- This contract is not a contract of employment.

- A subcontractor must give the principal contractor the details they need to register the relevant contract with Revenue. These details must include the name the subcontractor recorded with Revenue and their tax reference number. They should also provide proof of identity, which can include:

  - a copy of their passport;
  - a copy of their driving licence; and
  - details of their tax registration.

- Once the principal contractor notifies Revenue of the contract, Revenue will send the subcontractor the details in a contract confirmation letter. This letter will also confirm the RCT rate of tax deduction.

Subcontractor or Employee?

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- A principal contractor must establish whether a contract is with an employee or a self-employed person. Deciding what category a worker falls into depends on what work they do, how their work is managed, and the terms and conditions under which they are hired.

- A worker is normally an employee if they:

  - are directed on how, when and where to work;

  - receive a fixed wage; and

  - cannot subcontract the work.

- A worker is normally self-employed if they:

  - control where, when and how the work is done;

  - control costs and pricing; and

  - own their business

Relevant Contract

Relevant Contract

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- A relevant contract is defined in s530(1) TCA 1997. It means a contract whereby a person "the contractor" (subcontractor) is liable to another person "the principal" (principal subcontractor):
  - To carry out **relevant operations**, or
  - To be answerable for the carrying out of operations by others, or
  - To furnish his own labour or the labour of others or to arrange for the labour of others in the course of such **relevant operations**.

Relevant Contract

- So what are “relevant operations”?

Relevant Operations

Relevant Operations

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- Relevant operations are defined in section 530 TCA, 1997 and mean construction operations, forestry operations or meat processing operations.

Relevant Operations

- So does RCT apply to construction work being done in say, Spain?

Relevant Operations

- RCT applies to all relevant operations carried out in the State (26 counties) and with effect from 1 January 2016 to designated areas of the Continental Shelf, even where both parties to the contract are non-resident or are not liable to tax in the State in respect of those operations, i.e. the contract is executed outside the State, and payments under the contract are made outside the State.

- Prior to 2016, RCT did not apply where relevant operations were carried on outside of the State's 12 mile territorial waters.

- Where relevant operations are performed wholly abroad, RCT does not apply.

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Relevant Operations

- However, contracts are sometimes performed partly in the State and / or in designated areas of the Continental Shelf and partly outside of these locations.
- Where the performance abroad is merely incidental to the performance in the State and / or designated areas of the Continental Shelf, RCT should be regarded as applying to the full contract.
- In all other cases, RCT need only be applied to the part of the contract that is performed in the State and / or in designated areas of the Continental Shelf. Where there is a single price for the entire contract, payments may be apportioned on a basis agreed in advance with Revenue.

Construction Operations

Construction Operations

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- Construction operations include:
  - the **construction, alteration, repair, extension, demolition or dismantling of buildings or structures;**
  - the **construction, alteration, repair, extension or demolition** of any works forming, or to form, part of the land, including **walls, road works, power lines, telecommunication apparatus, aircraft runways, docks and harbours, railways, inland waterways, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage;**
  - the **installation, alteration or repair** in any building or structure of **systems of heating, lighting, air-conditioning, soundproofing, ventilation, power supply, drainage, sanitation, water supply, burglar or fire protection;**

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Constructions Operations

- the installation, alteration or repair in or on any building or structure of systems of telecommunications the **external cleaning of buildings** (other than cleaning of any part of a building in the course of normal maintenance) or **the internal cleaning of buildings** and structures, in so far as carried out **in the course of their construction, alteration, extension, repair or restoration;**

- operations which form an integral part of, or are preparatory to, or are for rendering complete such operations as are described above, including **site clearance, earth-moving, excavation, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways** and other access works;

- operations which form an integral part of, or are preparatory to, or are for rendering complete, **the drilling for or extraction of minerals, oil, natural gas or the exploration for, or exploitation of, natural resources; or**

- the **haulage for hire of materials, machinery or plant** for use, whether used or not, in any of the construction operations referred to above.

Construction Operations

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- As seen from slides 19 and 20, the definition of “construction operations” is very broad.

<u>The Key Distinction: Repair vs. Maintenance</u>

- Revenue's Tax and Duty Manual (Part 18-02-01) draws a clear distinction between repair and maintenance in the context of paragraph (a) of the construction operations definition — "*the construction, alteration, repair, extension, demolition or dismantling of buildings or structures*":
- Contracts for repair work are included within construction operations.
- Contracts for repair and maintenance are also included.
- Contracts for maintenance only are not included — Revenue's guidance explicitly states that the definition "does not include routine maintenance contracts".
- In Revenue's own words: "*Contracts for repair work or for repair and maintenance would be included but not contracts for maintenance only*."

Summary

Summary

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So, to summarise, in order for a payment between two persons to fall within the scope of the sub-contractor legislation, the following conditions must be fulfilled (s531(1) TCA 1997):

- the person making the payment must be a **principal contractor**, and
- the contract between the two persons must be a **relevant contract**, and
- the work to be carried out under the contract must consist of "**relevant operations**".

Coffee Break

Practical examples

Example 1

- *Example: if a private householder engages a builder to build an extension this is technically a relevant contract. The builder is working as a contractor for the householder and carrying out a relevant operation in the construction industry. However, because the householder is not a principal to whom RCT applies, as set out in section 530A Taxes Consolidation Act 1997, RCT does not apply to any payments made to the builder.*

- *Where that builder in turn engages subcontractors to carry out some of the work, the builder would be obliged to operate RCT on payments to those subcontractors.*

Example 2

- *Example: Big Developer engages SISK to build a building.*
- *Is this, of itself, a contract to which RCT applies?*

Example 3

- *Example: Take example 2 again, SISK now engages a ‘subbie’ to do the electrical work on the building.*
- *Is this a contract to which RCT applies?*

Example 4

- *Example: Take example 2 again, and say I told you that Big Developer let the building to KPMG and KPMG were doing extensive fit out to the building under the lease they took from Big Developer? Say KPMG got a contribution towards the fit out.*

- *Is this a contract to which RCT applies?*

RCT Tax Rates

RCT Tax Rates

How the Rate Is Determined?

- The statutory criteria for determining which rate applies to a subcontractor are set out in sections 530E, 530G, and 530H of the Taxes Consolidation Act 1997.

- The system is designed to use the information available to Revenue to determine the appropriate rate for a subcontractor.

RCT Tax Rates

Key criteria for the 0% rate

- To qualify for the zero rate, a subcontractor must satisfy Revenue on several points, including that they:

- ❑ are or are about to become a subcontractor engaged in relevant operations;
- ❑ carry on business from a fixed place established in a permanent building with the required equipment, stock, and facilities;
- ❑ properly and accurately keep all required business records; and
- ❑ have complied throughout the previous three years with all obligations under the Tax Acts, Capital Gains Tax Acts, and Value-Added Tax Acts — including payment of taxes, interest and penalties, filing of returns, and supplying accounts or information to Revenue on request.

RCT Tax Rates

The 20% (standard) rate

- The 20% rate applies where the subcontractor's compliance record is substantially — but not fully — up to date.
- For new tax registrations, the system automatically grants a rate of 20% because a three-year compliance history does not yet exist. This may be changed to 0% if the subcontractor satisfies Revenue that the three-year compliance period ought to be disregarded.

RCT Tax Rates

The 35% rate

- The 35% rate applies to subcontractors with poor compliance records or those who have not registered with Revenue.
- It also applies where Revenue is unable to verify the identity of a subcontractor by reference to the name and tax reference number supplied by the principal contractor.
- Revenue is further authorised to apply the 35% rate where it forms the opinion that deductions at the standard rate would be insufficient to satisfy the subcontractor's tax liability for the year.

RCT Tax Rates – Bulk Rate Review

- At predetermined intervals, the ROS system will carry out a bulk rate review. The rate of every live subcontractor on record, except those with a rate end date that has not passed, will have their rate reviewed in the bulk review. The system determines the rate based on the information it can access.

- Revenue currently carries out a RCT Bulk Rate Review twice a year.

- Subcontractors who have moved to a higher rate of RCT can check why such a determination was made. This can be done using the RCT self-service options in ROS. Once the compliance issues have been resolved, subcontractors can self-review their RCT rate in ROS and receive a new rate determination.

- As rates are amended, either through bulk review, manually by a caseworker or by the subcontractor through the ROS self-review facility, the subcontractor, and all principals they have contracts with, will be notified of the new rate.

Treatment of Tax Deducted

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- Under the provisions of section 530P TCA 1997, where a principal deducts tax from a payment to a subcontractor, the tax will be treated as a payment on account by the subcontractor of either income tax for the basis year in which the tax was deducted or of corporation tax for the accounting period of the company in which the tax was deducted.

- After the tax for the period in which the RCT credit occurred has been finalised, in the first instance, any credit remaining is available for preliminary tax liability for the following period; then, any remaining credit is available for offset by Revenue against any other tax liabilities for the subcontractor.

- In effect, this means that no repayment of RCT may be made to a subcontractor during the year in which the tax was deducted until such time as their tax return has been filed, a notice of assessment has issued and all liabilities for income tax or corporation tax and other taxes have been discharged.

- Repayments are not dealt with automatically by the system but instead are processed manually by Revenue.

What happens if RCT is not deducted?

Revenue Penalties

- If a principal contractor makes a payment for a relevant contract to a subcontractor, other than as shown on a deduction authorisation, this is considered an unreported payment.

- The following penalties apply to each unreported payment:

Subcontractor Status	Penalty
0% deduction rate	3% of the relevant payment
20% deduction rate	10% of the relevant payment
35% deduction rate	20% of the relevant payment
Unknown	35% of the relevant payment

Revenue Penalties

- If a principal contractor submits details of a payment that has not been reported correctly, they will receive a letter via their Revenue Online Service (ROS) inbox informing them of the penalty they are liable to pay.
- If the penalty is not paid, Revenue will issue a Notice of Opinion. Where the principal contractor does not agree to the penalty shown, the matter is referred to a relevant court.

The sexy stuff!

Mixed contracts

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- “If any part of a contract is subject to RCT, the whole contract is subject to RCT” (James Quirke☺)
- This statement was historically correct under previous Irish Revenue guidelines, but it is ***<u>**no longer true**</u>*** due to major updates issued in 2025 and early 2026.
- Under current Irish Revenue rules, if a "mixed contract" contains both Relevant Contracts Tax (RCT) and non-RCT elements, the principal contractor must apportion the value, and RCT applies only to the specific portion relating to construction operations.

Mixed contracts

- According to the latest Irish Revenue Guidance, contract pricing must be split for common industry arrangements:

- **Design-and-Build Contracts**: The professional design services are exempt from RCT, while the actual physical build remains within the scope of RCT.

- **Supply-and-Install Contracts**: The cost of the materials supplied is excluded from RCT, but the labour for the installation work is subject to it.

Value-Added Tax (VAT)

Overview

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- VAT is a tax, which is payable on sales of goods or services within the territory of the Member States of the EU. The tax, in all cases, is ultimately payable by the final consumer of the good or service. Each party in the chain of supply (manufacturer, wholesaler and retailer) acts as a VAT collector.

- They collect VAT from their customer and include that VAT in their VAT return to Revenue. When returning the VAT collected, they can reclaim as appropriate, VAT which has been charged to them by their suppliers.

Current VAT Rates in Ireland

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- Rates:23% Rate – standard rate
- 13.5% Rate – generally: physical labour + immoveable property
- Zero Rate – generally: public policy goods, e.g. children’s clothing.
    - Charge VAT at 0%.
    - Can recover VAT on inputs.
- Exempt – consist principally of financial, medical and educational activities.
    - Don’t charge VAT.
    - Can’t recover VAT on inputs.

VAT Reverse Charge

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- VAT is normally charged by the person supplying the goods or services.
- However, under RCT, the person receiving the goods or services (the principal contractor) calculates VAT and pays it directly to Revenue.
- **This applies to RCT construction services.**
- The application of this VAT rule can provide a cash flow saving to both parties:
  - the supplier no longer has to pay the VAT to Revenue which may be due before he/she has received payment from the supplier; and
  - the receiver of the goods no longer pays the VAT amount to the supplier, instead including it as VAT due to Revenue under reverse charge rules. In most cases the receiver of the goods can take a simultaneous deduction making it VAT cash neutral.

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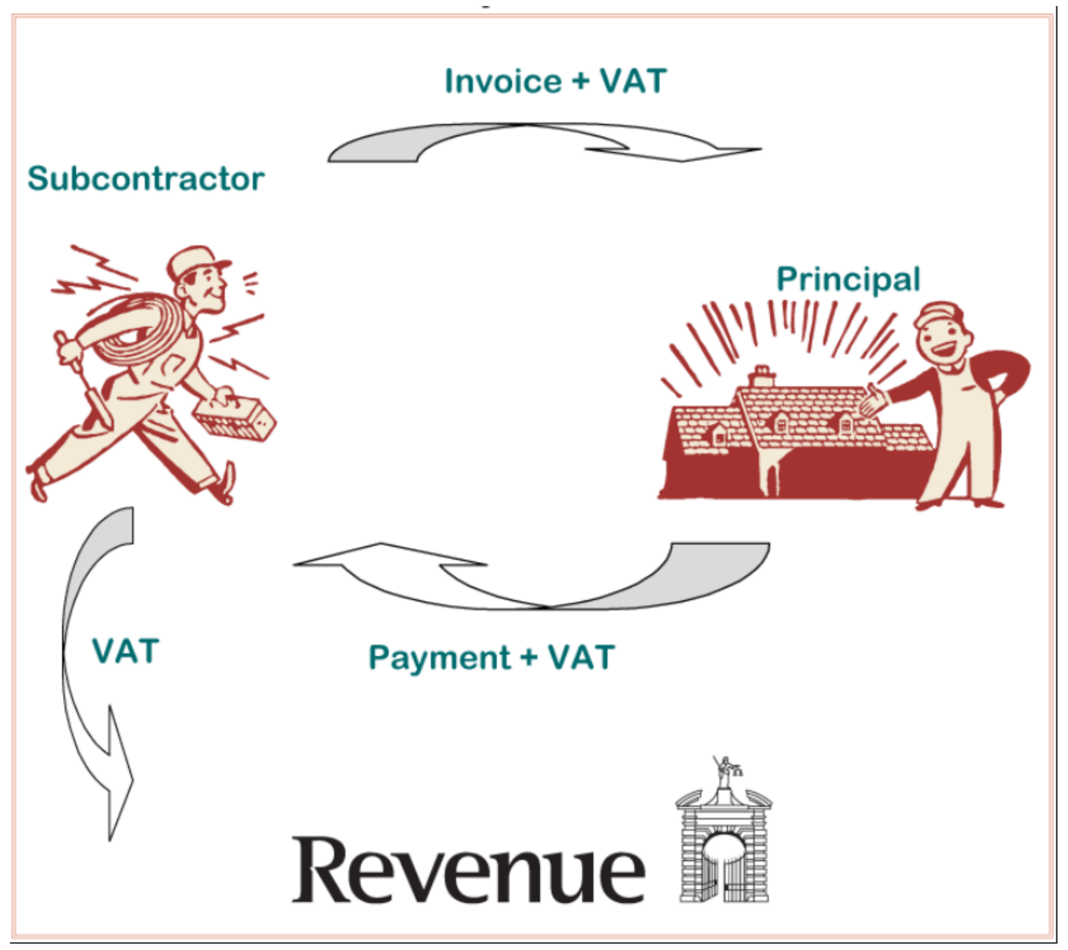
Interaction between VAT and RCT – without Reverse Charge

- The diagram sets out the old position on the interaction between VAT and RCT. This position represents the position that would apply if the payment was not subject to. The position is set out below:

1. The subcontractor charges VAT to the principal.
2. The principal pays the VAT to the subcontractor.
3. The subcontractor passes the VAT on to Revenue.



Interaction between VAT and RCT – with Reverse Charge

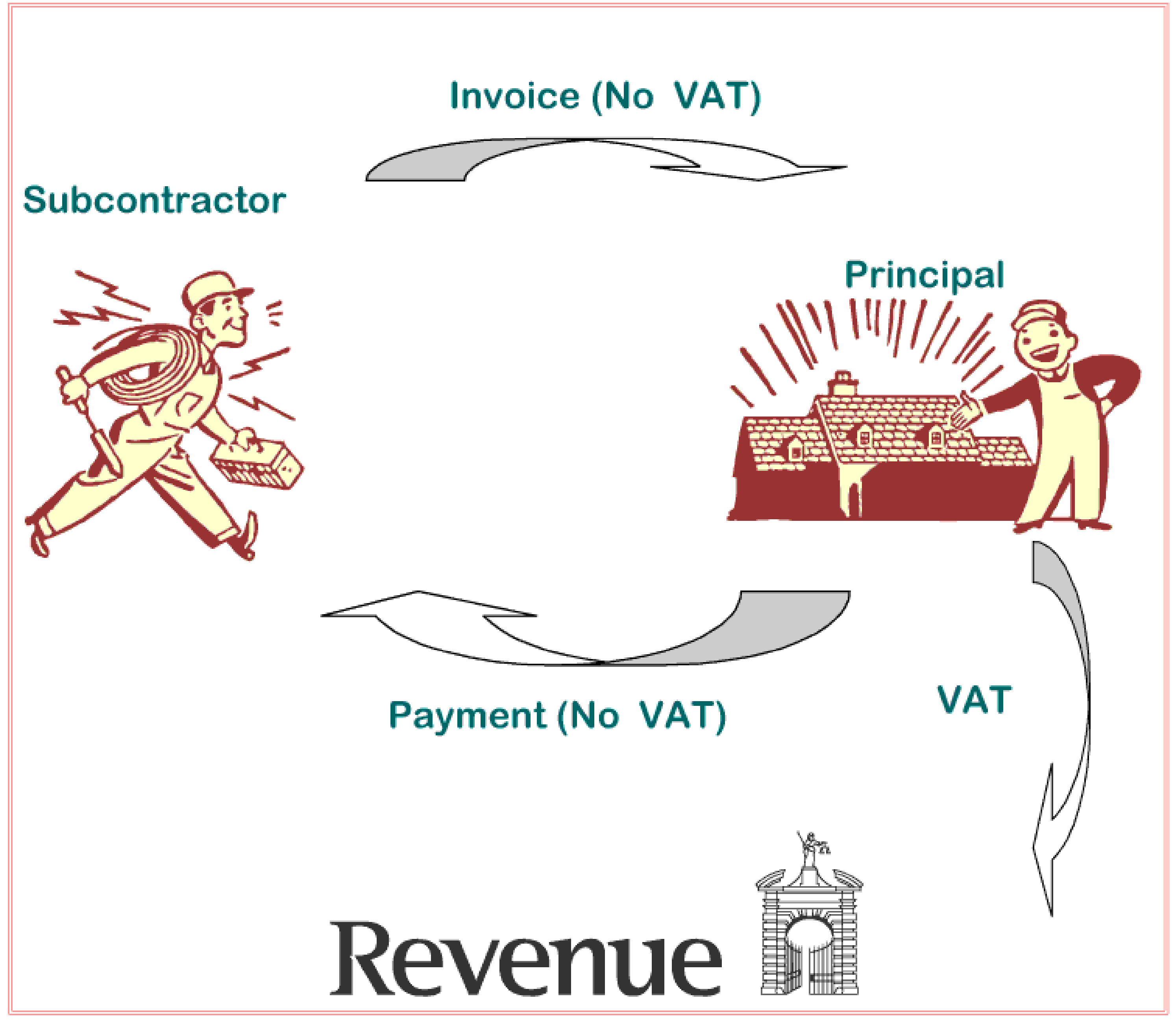
- The diagram sets out the current position on the interaction between VAT and RCT. The position is set out below:

  1. The subcontractor will not charge VAT to the principal contractor.

  2. The principal contractor will calculate the VAT on the amount charged by the subcontractor.

  3. The principal contractor will account for the VAT directly to Revenue in their VAT return.

  4. The principal contractor can normally claim a deduction for this VAT in their VAT return (depending on their entitlement to VAT recovery).



How does the Reverse Charge Operate?

- The charge for services by the sub-contractor does not include VAT on the services.

- The VAT registered sub-contractor issues an invoice to the principal, which shows all the same information that appears on a VAT invoice, except the VAT rate and VAT amount. The invoice should include the VAT registration number of the subcontractor.

- The invoice should also contain the statement '*VAT on this supply to be accounted for by the Principal Contractor*'.

- The principal contractor pays the sub-contractor for the services. This payment should not include VAT.

- If RCT is to be deducted, it should be calculated on the VAT-**<u>exclusive</u>** amount.

- The principal contractor should include the VAT on the services received from the subcontractor in their VAT return for the period in which the supply is made as VAT on Sales (T1 in VAT return).

- Where entitled to do so, the principal can claim a simultaneous input credit in their VAT return for the period (T2" box in VAT return).

Self-billing

- If agreed by both the principal contractor and the subcontractor, the principal contractor may issue the invoice. Self-billing is often used in the construction sector due to complex supply chains.
- Revenue guidance states self-billing may be used where:
  - there is prior agreement with the supplier that the principal contractor may draw up and issue the invoice;
  - all conditions relating to the content of and the issue of the invoice are met;
  - procedures for the acceptance by the supplier of the validity of the invoice are agreed; and
  - the invoice is endorsed with the words 'self-billing'.

Does the Reverse Charge apply to all Services?

- Generally, VAT on construction services that are not subject to RCT is taxed under the normal VAT system. A builder who builds an extension for a private individual, or an electrician who installs a new alarm system in a shop should charge and account for VAT on the supply. The reverse charge does not apply to these supplies.

- The reverse charge also applies where there is a supply of construction work in the State between two connected persons.

- As many construction service providers are involved in different types of contracts (e.g. a builder may be acting as principal in one contract, as a sub-contractor in another and supplying services that are not subject to RCT under another contract) it is important to be aware of how the system operates.

Government Departments, Local Authorities and Public Bodies

- Government departments, local authorities and public bodies who are principal contractors for the purposes of RCT and who receive construction services must be registered for VAT.

- They should account for the VAT on services received from subcontractors directly to Revenue through their VAT return.

- As these bodies are generally not carrying on any taxable activity they would not normally be entitled to claim any deduction for VAT incurred.

Sub-contractors and principals established outside the State

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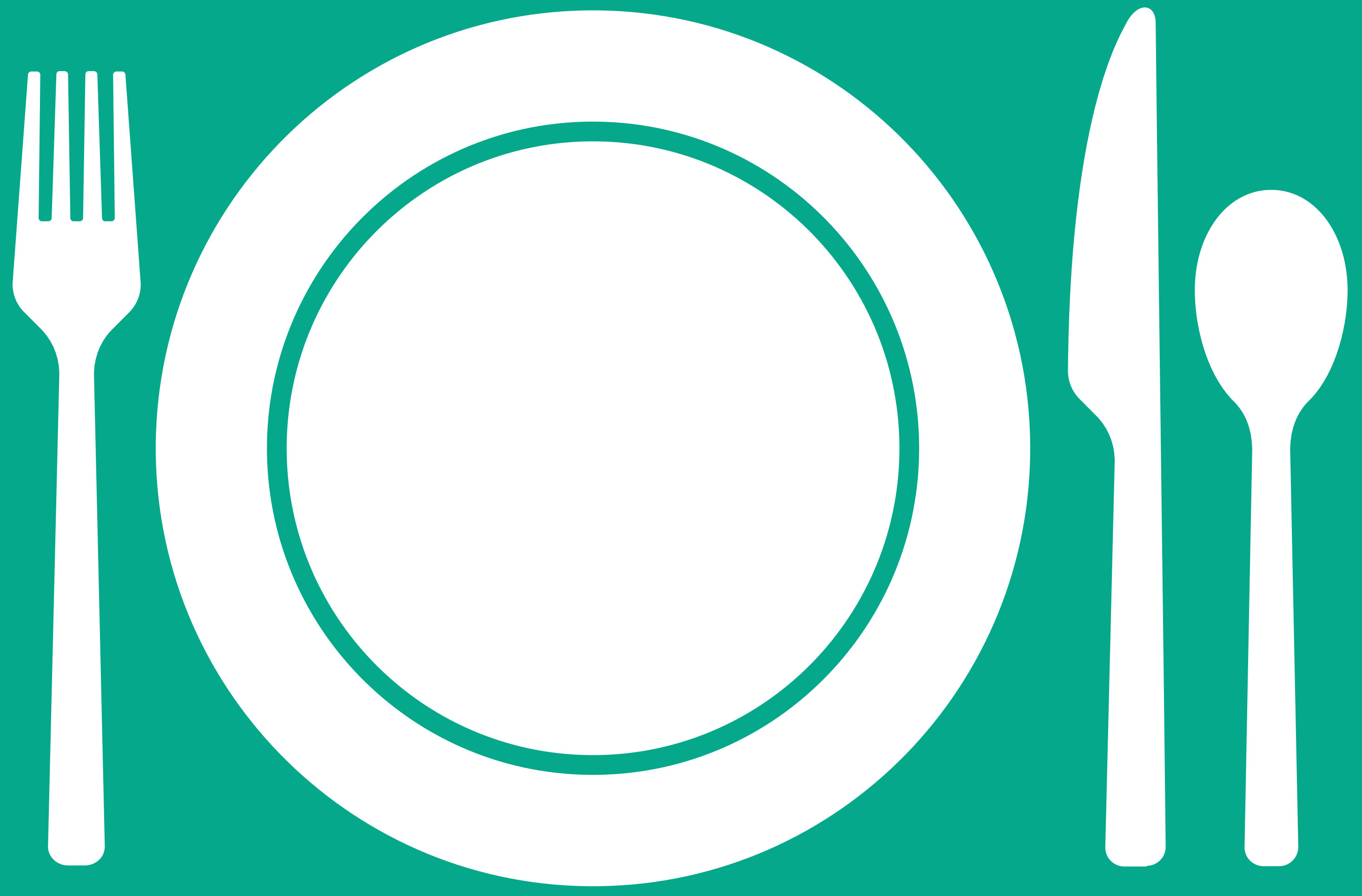
- **Subcontractor**
  - A subcontractor who is established outside the State, and whose only supplies in the State are to principals, is no longer required to be VAT registered in the State.
  - They will however need to register for VAT for the purposes of claiming any refund of VAT.
  - A subcontractor who is established outside the State but who also provides construction services to customers other than principal contractors must register for VAT irrespective of their level of turnover.
- **Principal Contractor**
  - All non-resident Principals (individuals, partnerships and companies) who are engaged in relevant contracts in the construction industry must register for VAT and account for VAT at 13.5% or 23% under the reverse charge rule.

Lunch



Accounting for RCT & Financial Reporting

Accounting for RCT & Financial Reporting

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Invoice from subcontractor to principal – journal entries

Principal contractor

- RCT withheld is a current liability to Revenue

Journal entry

• Debit	P&L	Cost/Expense
• Credit	B/S	Trade payable (net)
• Credit	B/S	RCT liability (tax withheld)

Payment to Revenue:

• Debit	B/S	RCT liability (tax withheld)
• Credit	B/S	Bank (tax withheld)

Subcontractor

- RCT deducted is a current asset (prepayment of tax)
- Can offset against income tax, corporation tax or VAT

Journal entry

• Debit	B/S	Trade receivable (net)
• Debt	B/S	RCT recoverable (tax deducted)
• Credit	P&L	Revenue / Income (gross)

Offset / redund:

• Debit	B/S	Tax liability (offset)
• Credit	B/S	RCT recoverable (tax deducted)

Tax Clearance

Tax Clearance

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- A Tax Clearance Certificate is confirmation from Revenue that an applicant's tax affairs are in order. Both the affairs of the applicant and those of connected parties will be assessed.

- A Tax Clearance Certificate can be applied for online via the eTC system using:

✓ myAccount for Pay As You Earn (PAYE) customers; or

✓ Revenue Online Service (ROS) for business customers.

- The eTC system checks tax compliance on a regular basis and the Tax Clearance Certificate remains valid while compliant.

- A new application must be submitted when the previous application has expired. A grant application expires after one year. All other applications expire after four years.

Tax Clearance

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- This replaces the old paper application process whereby a taxpayer submitted a Form TC1 to Revenue in order to obtain a Tax Clearance Certificate.

- Tax Clearance Certificates issued following the submission of a Form TC1 are only valid for a period of one year.

- Revenue have confirmed that this process is only available to non-resident applicants and applicants are not e-enabled by reason of insufficient internet access.

When Do You Need a Tax Clearance Certificate?

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- A Tax Clearance Certificate is needed to apply for some schemes and licences, including the:
  - Employment Wage Subsidy Scheme;
  - Wage Subsidy Scheme for people with disabilities;
  - Charities VAT Compensation Scheme;
  - Small Public Service Vehicle Licence.

- You also need a Tax Clearance Certificate if you get more than €10,000 in a year in:
  - Grants, subsidies or similar payments from public sector bodies; or
  - **Payments from a public sector contract (inclusive of VAT).**

When Do You Need a Tax Clearance Certificate?

- **Where payments from a public sector contract of more than €10,000, VAT inclusive, are received during the year, a Tax Clearance Certificate is needed.**
- This limit is set by the Department of Finance circular on the granting of contracts.
- If the contract is for a construction project, an RCT rate of 0% or 20% is also required. This will be checked when the contract is due to be paid.
- Tax clearance is required even if there is no formal contract in place to supply goods or services.

Who are Connected Persons in Respect of a Company Applicant?

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- When a company applies for tax clearance, Revenue will check:
  - any director who holds more than 50% shareholding in the company (a company must supply at least one director);
  - any shareholder who holds more than 50% shareholding in the company;
  - properties;
  - partnerships of which the company is a member;
  - a previous business entity (where there has been a transfer of a liquor licence); and
  - the VAT compliance of the remitting company, where the company is a VAT group non-remitter.

Verification of Tax Clearance Status

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- Revenue has an online verification system that allows another person to check if you have a current Tax Clearance Certificate. The system is available through ROS or the Government Networks. The Government Networks site is only available through public sector networks.
- To check a person's tax clearance status, the following is required:
  - Tax Clearance Access Number (TCAN); and one of the following:
    - Tax Reference Number; or
    - Personal Public Service Number (PPSN).
- A TCAN is provided upon successful application for Tax Clearance.

Relevant Contracts Tax (RCT) – Compliance

eRCT Compliance System

- RCT compliance is all done online through the 'eRCT' compliance system.
- This is done through the Revenue Online Service (ROS).
- All principal contractors need to ensure that they are registered to use the ROS facility.
- Subcontractors should also be registered on ROS in order to access details regarding their RCT transactions.

Five Steps to RCT Compliance

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1. Contract Notification
2. Payment Notification
3. Deduction Authorisation
4. Deduction Summary
5. Paying the RCT over to Revenue

1. Contract Notification

- The principal contractor must submit to Revenue details of each individual relevant contract entered into. Before notifying Revenue of the contract, the principal contractor must get and keep documentary evidence proving the identity of the subcontractor.
- The information on the contract notification should include:
  - details of the subcontractor;
  - details of the contract; and
  - a declaration that the contract is not a contract of employment.
- This step must be completed before any payments can be made under the contract.
- On submitting a contract notification, the principal contractor will receive a **Site Identifier Number (SIN)** for the site or project. The SIN is created when the principal contractor enters the site or project name and address in the Revenue Online Service (ROS). The principal contractor must use this SIN for all contracts that they submit to Revenue relating to that site or project.
- Revenue will notify all subcontractors of the SIN in a contract confirmation letter.

1. Contract Notification: ROS: step-by-step

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- Log-on to ROS, select the MyServices tab, and scroll down to Relevant Contracts Tax options, and select Principal contractors option.
- On the next screen select ‘RCT Contract notifications’, then select ‘Notify a Contract’.
- Over the next two screens you will:

  - Input the contract details
  - Tick the box to declare the contract is not a contract of employment
  - Fill in contractors and contract details
  - Tick the box to declare the contract is not a labour only contract
  - Select ‘continue’

- Once you are on ‘Sign and Submit’ page type in your password and click ‘sign and submit’
- If you do not enter your password you have not completed the registration and nothing will be sent to Revenue.
- You will receive an acknowledgment number to your ROS inbox. Print and keep for your own records.

1. Contract Notification: ROS: step-by-step

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Contract Details

Sector *	Meat
Nature of Work *	Test Meat 1
Have you been provided with a Revenue Site Identifier Number for this Project/Contract? *	No

You have no existing sites on record. If you are the Principal Contractor please select "New Site" to create a new site.

+ New Site

Are you the Principal Contractor on this site? *	Yes
Is your work confined to a single location with an address or a wide area of operation? *	Single Location

Site Name and Address

Site/Project Name *	
Address Line 1 *	
Address Line 2 *	
Address Line 3	
County	Please select one...
Eircode	

Start Date of Work *	
End Date of Work * *If the contract has ended, please enter today's date.*	
Estimated Value Of Contract *	

Generate Site Identifier ›

1. Contract Notification: ROS: step-by-step

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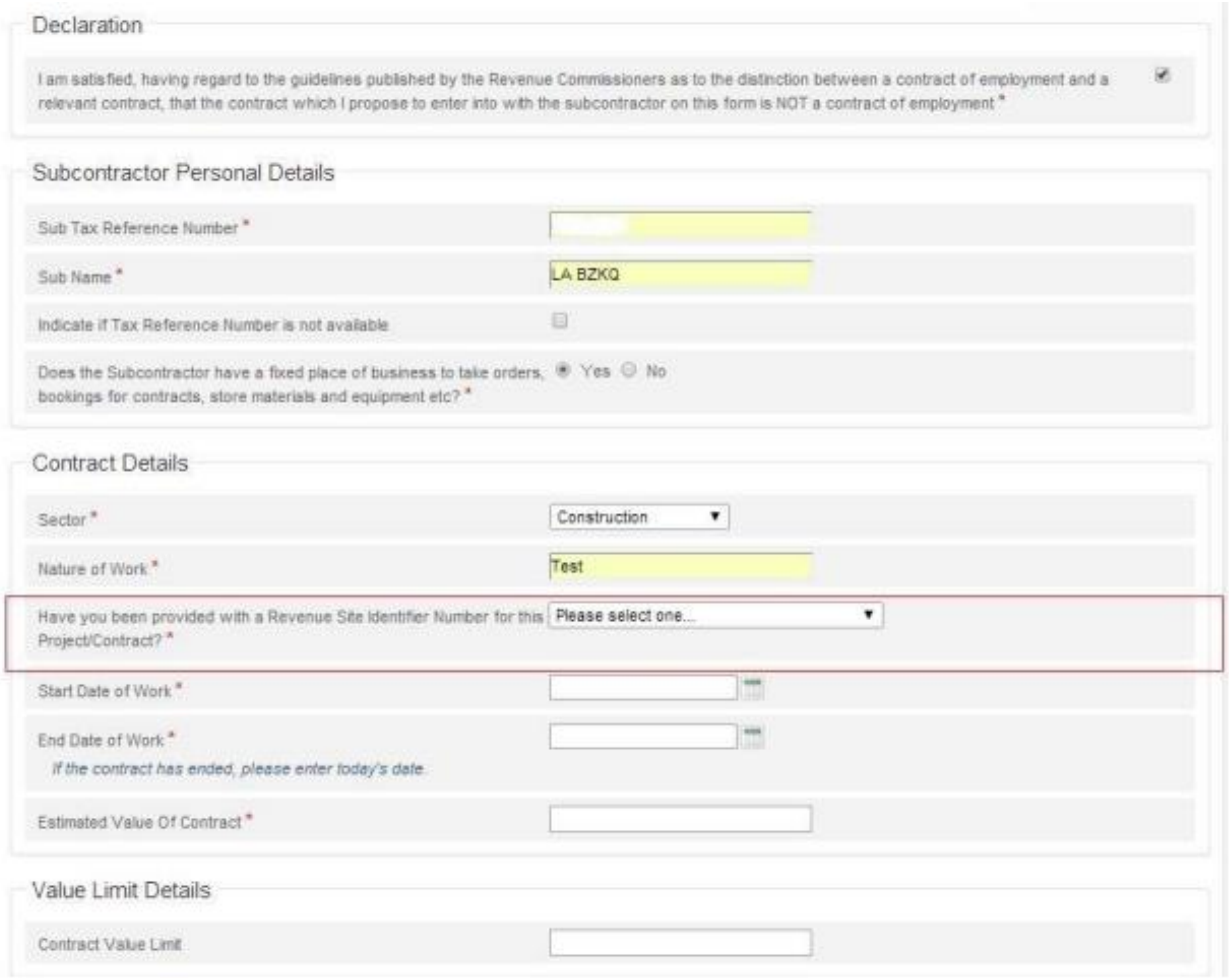
Declaration

I am satisfied, having regard to the guidelines published by the Revenue Commissioners as to the distinction between a contract of employment and a relevant contract, that the contract which I propose to enter into with the subcontractor on this form is NOT a contract of employment *

Subcontractor Personal Details

Sub Tax Reference Number *

Sub Name * LA BZKQ

Indicate if Tax Reference Number is not available

Does the Subcontractor have a fixed place of business to take orders, bookings for contracts, store materials and equipment etc? * Yes No

Contract Details

Sector * Construction

Nature of Work * Test

Have you been provided with a Revenue Site Identifier Number for this Project/Contract? * Please select one...

Start Date of Work *

End Date of Work *

If the contract has ended, please enter today's date

Estimated Value Of Contract *

Value Limit Details

Contract Value Limit

2. Payment Notification

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- When you are ready to pay the contractor, you must first notify Revenue through ROS by inputting a Payment Notification on the eRCT system.
- A principal should indicate the full amount of the payment due to be made to the contractor.
- The eRCT system does not have a facility to allow amendments to a Payment Notification, however, if details input are incorrect, the notification may be cancelled and a new Payment Notification can be input.
- RCT regulations provide that where a Payment Notification has been input and the payment is not going to be made, the principal should cancel the Payment Notification.

2. Payment Notification

AI Overview

When filing a Relevant Contracts Tax (RCT) payment notification in Ireland, you must input the **VAT-exclusive amount** if the VAT reverse charge applies to the construction services. If the reverse charge does not apply, you input the VAT-inclusive amount. You submit these details through Revenue Online Services (ROS) before making any payment.

Key Rules for Payment Notifications

- **VAT Reverse Charge Applies:** Enter the price without VAT. The subcontractor will not charge VAT on their invoice.
- **Reverse Charge Does Not Apply:** Enter the full price with VAT included (used for exceptions like haulage or forestry).
- **Deduction Authorisation:** The Irish Revenue will reply with a rate of 0%, 20%, or 35% to withhold.

2. Payment Notification: ROS: step-by-step

- Logon to ROS and from MyServices tab and scroll down to RCT link, Principal contractors options.
- Next; select 'Input Payment Notification'
- Highlight the contract you want to pay and select 'Input Payment Notification'
- Fill in Gross Payment amount
- Tab to next box and add the net amount and deduction will automatically fill in
- Select continue until you get to 'Sign and Submit'
- You must enter your password and click on 'Sign and Submit'
- If you do not complete this step no details will be sent to Revenue

2. Payment Notification: ROS: step-by-step

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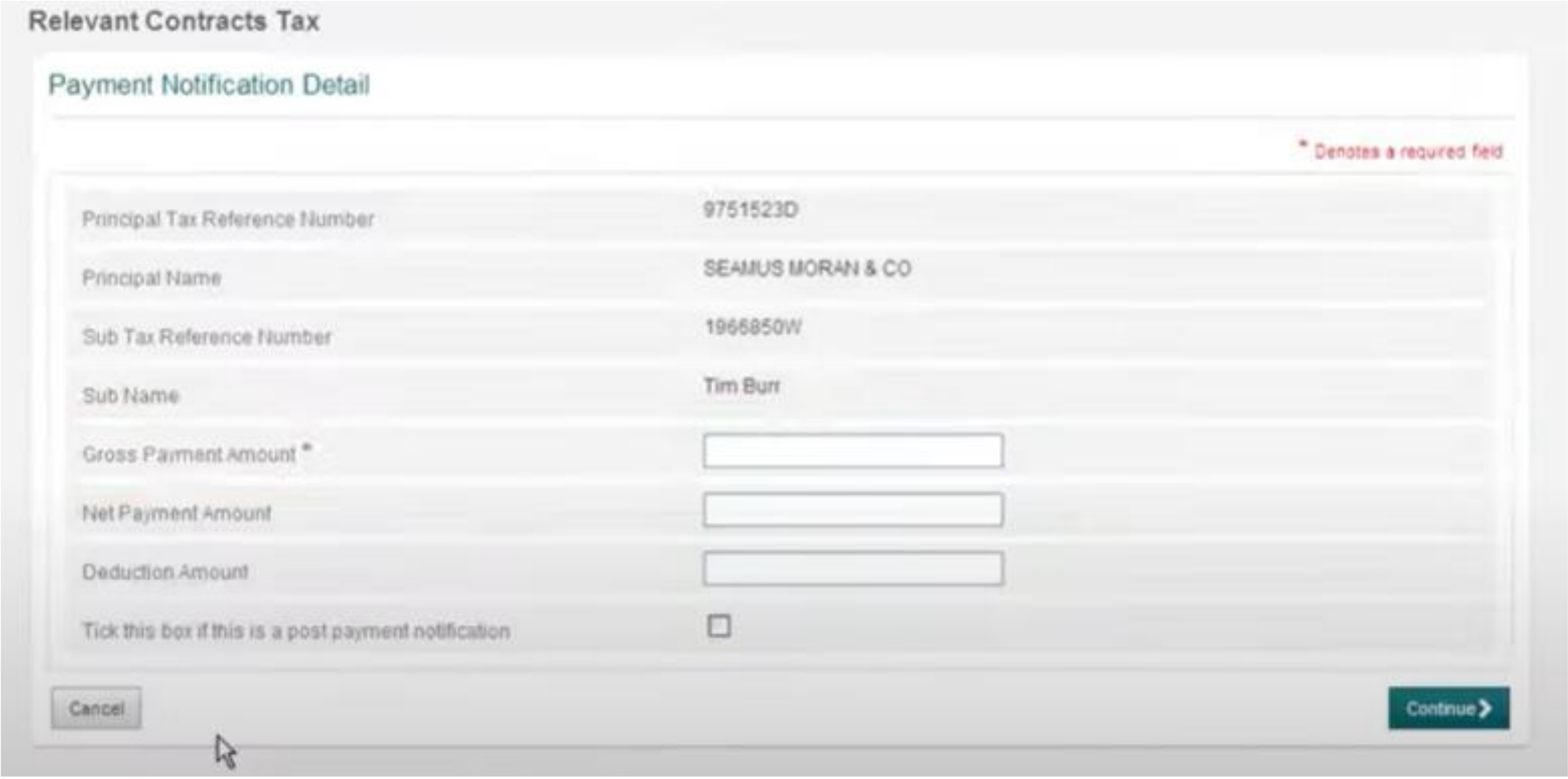

3. Deduction Authorisation

- Revenue will respond to the payment notification with a deduction authorisation setting out the rate of tax to be applied to the payment and how much tax, if any, must be withheld from the payment.
- If the principal contractor is to deduct tax, they should give the subcontractor a copy of the deduction authorisation. It will show:
    - the gross payment they will make to the subcontractor;
    - the net payment they will make to the subcontractor;
    - the RCT deduction rate; and
    - the amount of RCT they will deduct.
- Revenue will automatically credit the subcontractor's tax record with any RCT that the principal contractor has deducted. The subcontractor can use this RCT credit against other tax due once they have filed their tax returns.
- If payments are made to subcontractors without a deduction authorisation, penalties apply.

3. Deduction Authorisation

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- Following making a Payment Notification, a ‘Deduction Authorisation’ will issue automatically to the Principals ROS inbox.
- The Deduction Authorisation will show the applicable RCT deduction rate and the amount of RCT to be deducted.
- Print and file this for your records.
- The Principal should also provide a copy, or, at minimum, the details contained in the Deduction Authorisation to the subcontractor.
- Where a principal makes a payment without first obtaining a Deduction Authorisation the principal is liable to RCT penalty at 35% regardless to the deduction status of the subcontractor to whom the payments has been made.
- In addition to the RCT amount, a penalty up to €5,000, may also be payable in certain circumstances. Revenue will verify the correct tax deduction rate applicable to the subcontractor and an adjustment to the liability for the period may be required. A subcontractor will receive an immediate credit on their tax record for the tax amount which may be set against other taxes due.

4. Deduction Summary

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- At the end of the return period, a deduction summary is made available by Revenue to the principal contractor detailing all the payments notified to Revenue during the return period. The deduction summary will cover either one month if the principal contractor files monthly or three months if the principal contractor files quarterly.

- The principal contractor must check the deduction summary for accuracy and amend or add to it details of payments, if necessary. Otherwise, the deduction summary is deemed to be the return on the return filing date.

- The principal contractor may make amendments to the summary before the 23rd of the month following the end of the return period.

5. Paying the RCT

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- The final step is to Pay Revenue the RCT that was deducted from payments made to subcontractors.
- This must be paid by the 23rd of the month following the payment to the relevant subcontractor.
- This payment can be done through a Single Direct Debit facility on ROS.

Living in the past!

C2's

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- In the context of Irish Relevant Contracts Tax (RCT), the traditional paper-based C2 certificates are no longer issued. They were replaced when Revenue introduced the electronic RCT (eRCT) system, which took effect from 1 January 2012.

What Changed

- Under the old system, a subcontractor holding a valid C2 certificate could receive payments from a principal without any RCT deduction (i.e. at the gross rate). The C2 was a physical document that had to be presented to the principal.

- Under the eRCT system, the process is now fully electronic.

Record keeping

Record keeping

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- The key statutory provision governing RCT recordkeeping is section 530S of the Taxes Consolidation Act 1997 (TCA 1997), which imposes specific obligations on both principal contractors and subcontractors.

- Revenue's Tax and Duty Manual Part 18-02-04 confirms that the general recordkeeping and retention obligations in section 886(3) and section 886(4) TCA 1997 also apply to RCT records and linking documents.

- Penalties for Non-Compliance: Civil penalties under sections 1052 and 1054 TCA 1997 apply in relation to Part 18, Chapter 2 of the TCA and the RCT Regulations made under that Chapter.

- In practice, all RCT records and linking documents should be retained for at least six years from the end of the year to which they relate.

Emerging Issues / Typical questions

Emerging issues – what are we seeing?

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- Increased compliance interventions and targeted audits across labour intensive contracting chains.

- Focus on “brass plate” or intermediary entities with limited commercial substance used in subcontracting arrangements.

- Ongoing enhancements to Revenue’s online RCT platform.

- Integration with iXBRL filings and PAYE Modernisation data.

- Monitoring of EU developments on withholding tax and digital reporting frameworks.

Thank you

Questions??

Question 1

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- **Question**: Client company is building an airport infrastructure / run way / terminal building upgrade with the intention to operate an airport. Should it operate RCT on payments to its principal contractor

- **Answer**: See separate solution.

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