

Relevant contracts tax (RCT)

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Relevant contracts tax is concerned with payments made by a person (a “principal contractor”) to another person (a “subcontractor”) who carries out, or is responsible for carrying out construction operations (broadly defined), forestry operations or meat processing operations (“relevant operations”). The principal contractor is required to withhold RCT, at 35%, from the VAT inclusive amount of payments.

From 1 September 2008, principal contractors involved in construction operations, excluding haulage for hire, are required to self account for VAT on payments to subcontractors. Consequently, the principal is now required to withhold RCT at 35%, from the VAT exclusive payments.

Planning tip!

Remember RCT may apply when you undertake building or installation work, even if you are not involved in a construction business.

In some instances persons not directly engaged in construction, meat processing or wood processing may be liable to RCT. Payments for the supply of staff to carry out “relevant operations” are subject to RCT. A person connected with a company engaged in construction, land development, meat processing or forestry processing activities is obliged to apply RCT to payments to contractors for relevant operations. However, a company is exempt from this requirement where they engage a subcontractor solely to carry out work on their own business premises and provided they themselves are not engaged in the business of land development or construction. While the foregoing exemption does not generally apply to individuals or partnerships who are connected as described above, or to connected companies involved in letting property, where such entities make payments for work to a value of less than €20,000 (incl VAT) per year on their own premises or on let premises respectively, RCT will not apply.

Payments may be made gross where the recipient has a valid Certificate of Authorisation (C2) and the principal has received a relevant payments card. Where payments are made gross without authorisation, RCT, interest and penalties will apply. Businesses intending to engage contractors should therefore be aware of possible RCT implications.

Principal contractors are required to send RCT1 forms (a form which certifies that there is not an employment relationship with the contractor) to Revenue within 7 days of the declaration being made in certain circumstances.

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