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Relevant Contracts Tax (RCT)

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Overview

RCT is a withholding tax that applies to certain payments by principal contractors to subcontractors in the construction, forestry and meat-processing industries. The rates of tax are 0%, 20% and 35%. All RCT transactions are submitted through the [Revenue Online System \(ROS\)](#).

You can find a list of construction, forestry and meat-processing operations subject to RCT further in this section.

What activities are covered under RCT?

RCT covers certain activities from the construction, forestry and meat-processing sectors.

Construction

Construction activities under RCT include:

- constructing, altering, repairing, extending or demolishing:
 - buildings or structures
 - works that are part of the land
- installing, altering or repairing:
 - security systems
 - lighting systems
 - heating systems
 - air conditioning systems
 - soundproofing systems
 - ventilation systems
 - power supply systems
 - drainage systems
 - sanitation systems
 - water supply systems
 - telecommunications systems
- cleaning buildings internally and externally in the course of their construction, alteration or repair (not including normal maintenance)
- works which are an essential part of, are in preparation for, or are completing other construction work. This includes:
 - site-clearing
 - earth-moving
 - excavating
 - tunnelling
 - boring
 - laying foundations
 - erecting scaffolding
 - site restoration
 - landscaping
 - providing roadways and other access works

- works that form an essential part of, are in preparation for, or complete works such as drilling for minerals, oil, natural gas or other natural resources
- transporting someone else's materials or machinery for use in any of the activities listed above (known as haulage for hire).

See the [PDF](#) [Relevant Contracts Tax Manual](#) for a complete list of all operations.

Forestry

Forestry activities under RCT include:

- thinning, lopping, felling or planting trees in woods, forests or other plantations
 - maintaining woods, forests and plantations
 - preparing land for planting (this includes woods or forests that have been harvested)
 - hauling thinned, lopped or felled trees
 - processing wood in sawmills or similar premises
 - transporting someone else's materials or machinery for use in any of the activities listed above (known as haulage for hire).
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Meat processing

Meat processing activities under RCT include:

- slaughtering certain animals and poultry
 - catching domestic fowl, turkeys, guinea-fowl, ducks or geese
 - cutting, boning, sorting, packaging, rewrapping or branding certain slaughtered animals and poultry (and any other similar processes)
 - preserving or rendering the carcasses of slaughtered animals and poultry
 - loading, unloading and hauling carcasses at any premises where the above activities take place
 - cleaning any premises where the above activities take place
 - grading, transporting and determining the sex of day-old chicks
 - transporting someone else's animals, poultry, materials, machinery or other goods connected to any of the activities listed above (known as haulage for hire).
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Electronic RCT (eRCT) system

The eRCT system is a tax deduction at source system that applies to payments made under relevant contracts in the following sectors:

- construction
- meat processing
- forestry

If you are a principal contractor in those sectors you must make all transactions with Revenue electronically through the [Revenue Online Service \(ROS\)](#). You should:

- notify us of all relevant contracts
- notify us of payment details
- provide details to the subcontractor of the tax you will be deducting
- submit a deduction summary, which is a monthly or quarterly return
- pay us the RCT deducted from payments made to subcontractors.

RCT for principal contractors

Who is a principal contractor?

You are a principal contractor if you use a subcontractor to carry out activities on behalf of your business. This applies to the following industries:

- construction
- meat processing
- forestry.

You are also a principal contractor if you:

- are connected to a company involved in any of the above activities
- are a local authority, public utility society or housing association
- are a Government Minister
- are a board or body established under statute
- are a board or body established under royal charter and funded mainly by the Oireachtas
- carry on any gas, water or electricity work
- carry on any hydraulic power, dock, canal or railway work
- carry out the installation, alteration or repair of telecommunications systems.

Principal contractors must register with Revenue.

You are not a principal contractor if the only construction work that you are involved in is on buildings or land, that are either:

- for your own use
- for the use of your employees.

Subcontractor or employee?

As a principal contractor, you must decide whether your 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
- the terms and conditions under which you hired them.

You might incorrectly register a contract of employment as a relevant contract for RCT. If this happens, you will have to pay the Pay As You Earn (PAYE), Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) that you should have deducted. You may also have to pay interest or penalties.

The following checklists give an overview for deciding if a worker is an employee or a subcontractor.

A worker is normally an employee if they:

- are directed by someone on how, when and where to work
- have set working hours
- have no personal financial risk relating to the work
- receive a fixed wage
- supply labour only
- cannot subcontract the work
- are covered under the employer's insurance
- work for only one person or business.

A worker is normally self employed if they:

- control how, when and where the work is done
- control their working hours
- are exposed to financial risk

- control costs and pricing
- can hire other people to complete the job
- provide their insurance cover
- own their business
- can provide the same services to more than one person or business at the same time.

These checklists are guidelines to help you decide. You can find further information in the [PDF](#) Code of Practice for Determining Employment or Self-Employment Status of Individuals.

Notifications for principal contractors

Contract notification

You should notify Revenue immediately after entering into a relevant contract with a subcontractor. Before submitting the contract notification, you 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
- a declaration that the contract is not a contract of employment.

On submitting a contract notification, you will receive a [PDF](#) Site Identifier Number (SIN) for the site or project. The SIN is created when you enter the site or project name and address in the Revenue Online Service (ROS). We will notify all subcontractors of the SIN on their contract confirmation letter. You must use this SIN for all contracts that you submit to us relating to that site or project.

Payment notification

Before you make a payment to a subcontractor, you must notify Revenue of the gross amount of the intended payment.

When you submit a payment notification, you will receive a notification in your ROS inbox. This notification includes the details of the amount of tax, if any, that you must deduct from the payment. This is known as the deduction authorisation. If you must deduct tax from the payment, you must give the details of the deduction authorisation to the subcontractor.

Post-payment notification

You may be unable to notify Revenue of a payment on time due to technical difficulties. If you notify us after making the payment, this is known as a post-payment notification. When you are completing a post-payment notification, you will have to choose options from a drop-down menu list. These options allow you to choose the technological failure that prevented you from submitting the notification before you made the payment. The options in the list are:

- power failure
- ROS unavailable
- local digi-cert issue
- local Information and Communications Technology (ICT) hardware failure
- local ICT third party software failure
- local ICT operating system failure
- local java system failure
- local broadband failure.

Depending on the option selected you may also need to provide the following information:

- power failure - details of your electrical supplier
- local ICT third party software failure - details of that software supplier
- local broadband failure - details of your broadband supplier.

Deduction summary or return

Revenue create a deduction summary based on your payment notifications. This summary lists payments submitted to us and the total RCT you are due to pay. We will make this available to you in ROS shortly after the end of the return period.

The deduction summary will cover either one month if you file monthly or three months if you file quarterly.

You should check the deduction summary to ensure that you have included all payments and that the amounts are correct. If everything is correct, you do not need to do anything else. This will be your return for the period.

You may make amendments to the summary before the 23rd of the month.

Tax deductions made must be paid to us by the 23rd of the month which follows the return period.

RCT for subcontractors

Who is a subcontractor?

You are a subcontractor if you enter into a relevant contract with a principal contractor in the construction, forestry or meat processing industries. This contract is not a contract of employment.

You must give the principal contractor the details they need to register the relevant contract with Revenue. These details must include the name you have recorded with us and your tax reference number. You should also provide proof of identity, which can include:

- a copy of your passport
- a copy of your driving licence
- details of your tax registration.

Once the principal contractor notifies Revenue of the contract, we will send you the details in a contract confirmation letter. This will also confirm your RCT rate of tax deduction. If any details regarding the contract are incorrect, contact the principal contractor to correct them. If they cannot correct the details, [contact us](#) directly.

Site Identifier Number (SIN)

When a principal contractor submits a contract notification, they receive a [PDEI SIN](#) for the site or project. We will notify you of the SIN on your contract confirmation letter. If you in turn subcontract out some of the work, you should use this SIN when you notify the contract to us. This means that all contracts, by all contractors on the same site or project, will use the same SIN.

RCT tax rates

The RCT tax rate will depend on your compliance record with Revenue. The three tax rates in the RCT system for subcontractors apply as follows:

- an up-to-date tax compliance record: 0%
- a substantially up-to-date tax compliance record: 20%
- a poor tax compliance record, or for those who have not registered with Revenue: 35%.

After a principal contractor notifies Revenue of a payment, they will receive a deduction authorisation from us. If the principal is to deduct tax, they should give you a copy of this. It will show:

- the gross payment they will make to you

- the net payment they will make to you
- the RCT deduction rate
- the amount of RCT they will deduct.

We will automatically credit your tax record with any RCT that the principal has deducted. You can use this RCT credit against other tax due once you have filed your tax returns.

Please note we do not automatically offset against Preliminary Tax. There is a facility in the Revenue Online Service (ROS) that allows subcontractors or their agents to offset RCT credits against Preliminary Tax.

When a RCT credit is used against other taxes due, you will receive a statement of account. You will be able to view this, and all your RCT transactions, on ROS.

Penalties for principal contractors

You may make a payment for a relevant contract to a subcontractor, other than as shown on a deduction authorisation. This is an unreported payment. If you make an unreported payment, you are liable for a penalty.

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

If you submit details of a payment that has not been reported correctly, you will receive a letter in your Revenue Online Service (ROS) inbox. This letter will inform you of the penalty you are liable to pay. You can pay by using the RCT Penalty Payment option on ROS.

If you do not pay the penalty, Revenue will issue a penalty notice to you. This is called a Notice of Opinion.

You may not agree to the penalty shown in that notice. If you do not, it will be referred to a relevant court to decide if you have to pay.

RCT for non-resident subcontractors

RCT also applies to non-resident subcontractors. If the work is being carried out in Ireland, a principal contractor should deduct RCT from your gross payment. This is the case even if they are also non-resident. If they do, they must provide you with a copy of the deduction authorisation.

If you are registered for RCT, you can apply for a refund during the year. The International Claims Section in Nenagh will deal with your refund application.

To claim a refund of RCT, you must complete:

- [\[PDF\] Form IC1](#) if you are an individual subcontractor
- [\[PDF\] Form IC3](#) if you are a company subcontractor
- [\[PDF\] RCT questionnaire](#) relating to each contract you have accepted.

The tax authority of your country of residence must certify the Forms IC1 or IC3. They must certify the forms in the year that the income was earned.

You must send a copy of the deduction authorisation, along with these forms.

Payments without deduction of RCT

You may have applied for and received a 0% RCT rate from Revenue. If this is the case, the principal contractor must still submit a payment notification to us and will receive a deduction authorisation. The principal contractor will make the relevant payment to you without deducting RCT.

To qualify for the zero RCT rate, you must have an up-to-date compliance record with us.

Value-Added Tax (VAT) reverse charge

The person supplying the goods or services normally charges VAT. However, under RCT, the person receiving the goods or services (the principal contractor) accounts for VAT to Revenue directly. The principal contractor accounts for VAT as if they had supplied the service. This is known as VAT reverse charge. It applies to subcontractors involved in the construction industry only.

Non-resident subcontractors who provide construction services to principal contractors are not required to register for VAT. However, you may wish to do so in order to claim credit for any VAT paid.