

Are you ready for the changes to RCT?

The recently introduced changes to the RCT system will apply to both principal contractors and sub-contractors from 1st January 2012.

What does this mean for you and what do you have to do to be ready for these changes?

Principal contractors:

1. If you have not already done so, you must register for the Revenue Online Service (ROS) as soon as possible. You can register for ROS at www.revenue.ie.

From 1st January 2012 all your communications with the Revenue Commissioners regarding RCT must be made through on-line through ROS. You must also make any payments due to the Revenue Commissioners electronically using ROS.

It may take weeks to complete the registration process.

2. You must register all contracts with your sub-contractors using ROS. This will involve giving details of the contract to the Revenue Commissioners.

This will also apply to contracts that are on-going at 31st December 2011. You will be able to start registering your contracts from 28th November 2011 (known as "contract notification"). "Contract notification" will replace the current RCT1 form.

3. When you receive an invoice from a sub-contractor but before making any payment to him/ her, you must, using ROS:

(a) Notify the Revenue Commissioners of how much you intend paying the sub-contractor, and

(b) Request from the Revenue Commissioners confirmation of what rate of RCT to deduct from the payment. The rates will be either 0%, 20% or 35%.

It is ONLY when you have received this "deduction authorisation" from the Revenue Commissioners that you can pay the subcontractor and deduct the appropriate RCT.

You will need to give the sub-contractor a copy of the "deduction authorisation".

This procedure must be completed for each and every payment you make to the sub-contractor.

You must pay any RCT withheld to the Revenue Commissioners electronically using ROS on a monthly basis.

4. Each month or quarter you will receive a statement from the Revenue Commissioners detailing what payments you have made. You should ensure these are correct.

If a statement is incorrect you should amend it on-line using ROS and pay the correct RCT.

You will no longer need to file monthly RCT30's or annual RCT35 returns.

Sub-contractors:

1. From 1st January 2012, you will no longer complete the Form RCT1 or the Form RCT46.
2. When you are due to be paid, the principal contractor will apply to the Revenue Commissioners for confirmation of the appropriate rate of RCT to deduct from the payment.

This will either be 0%, 20% or 35%, depending on whether your tax affairs are up-to-date and your compliance history with the Revenue Commissioners.

If you previously qualified for a C2 certificate, you should have 0% RCT rate allocated to you.

You will have only one RCT rate allocated to you so all of your principals should deduct RCT at the same rate.

3. It is only when a principal has received confirmation of the RCT rate (called a "deduction authorisation") from the Revenue Commissioners that he will be able to pay you.
4. You will receive payment of your invoice, with the appropriate RCT, if any, deducted, along

with a copy of the “deduction authorisation” from the principal contractor.

5. You should ensure that the principal has withheld the correct RCT.
6. You will no longer receive pink RCT deduction certificates from principal contractors. Any RCT withheld will now be automatically credited to your account with Revenue.

You will no longer be able to submit pink RCT deduction certificates to the Revenue Commissioners to obtain a refund of any RCT withheld.

7. At the end of each calendar year, the Revenue Commissioners will use any RCT withheld to first pay any of your outstanding taxes.

When all of your tax returns have been filed and all liabilities paid, it is then and only then that any balance of RCT can be refunded to you by the Revenue Commissioners.

If you require any further information or assistance in relation to the above, please contact us.

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