

Steps to follow when engaging a subcontractor

The following steps are required to process a contract.

1. Contract Notification
2. Payment Notification
3. Deduction Authorisation
4. Deduction Summary

1. Contract Notification

You must provide Revenue with details of the subcontractor (name and tax reference number) and contract (location, start/end dates, estimated contract value, etc) through ROS. You must also declare that the contract is not a contract of employment ([view definition of Labour only Contract](#)).

A principal should establish the identity of any subcontractor engaged on a relevant contract. It is a principal's responsibility to take due care in ensuring the proper identity of all subcontractors engaged, from insurance, health and safety, employment and tax perspectives. This can be demonstrated through retention of copies of proof of identity. If a principal has not taken due care, he/she may be liable to RCT at 35% on any payments made to subcontractors with false identities. (see [sample application form](#) and [letter](#))

What happens if I don't have a tax reference number for a subcontractor?

If you have no tax reference number for the subcontractor when you register the contract, you will be asked to provide additional details for the subcontractor (name, address, phone number, date of birth, etc) so that Revenue can contact the subcontractor directly.

Is "Estimated Contract Value" inclusive or exclusive of Value Added Tax?

If the VAT Reverse Charge applies to the payments on the contract, then the VAT exclusive amount should be input as part of the Contract Notification (i.e. you do not include VAT in the payment to the subcontractor). However if the VAT Reverse Charge does not apply (e.g. haulage, meat processing or forestry operations) then the VAT inclusive amount should be input.

2. Payment Notification

A principal Contractor will not be authorised to deduct tax from a payment until they have notified Revenue of the payment and received authorisation to make the deduction. Failure to properly notify Revenue will leave the principal liable for the RCT and penalties.

Prior to making a payment to a subcontractor you must advise Revenue online of the amount of the gross payment to be made. You must select the subcontractor from the list of contracts you have already notified to Revenue. You will not be able to complete a Payment Notification on a contract unless the contract has already been notified to Revenue.

3. Deduction Authorisation

Revenue will issue a "Deduction Authorisation" to you immediately in response to the Payment Notification. The Deduction Authorisation will specify the rate and the amount of

tax you should deduct from the payment. This authorisation relates specifically to the payment notified. You must give a copy of the Deduction Authorisation to the subcontractor

4. Deduction Summary

A Deduction Summary containing details of all relevant payments about which you have notified Revenue will be issued to you through ROS at the end of each period.

On receipt of the Deduction Summary you should:

- Check to ensure that all payments made to subcontractors have been notified to Revenue.
- If the Deduction Summary accurately reflects all payments made, then you should arrange for payment of the RCT deducted by the due date. No further action is required. This is deemed to be the return.
- If the Deduction Summary requires amendment you should amend it online, submit it and arrange for payment of the tax due on or before the due date.
- No annual return required: The annual RCT 35 return will no longer be required from the tax year 2012 onwards (you will still be required to complete an RCT 35 return for 2011).

Revenue has advised that any amendments should be made to the relevant payments listed on the Deduction Summary and the Return should be filed on or before the due date.

Can I amend these relevant payment details after I have filed the Return or if the due date for the Return has passed?

No. You will not be able to amend these details once the return has been filed or deemed filed (if not filed by the due date). If any line items (payment details) require amendment you should amend these line items and file the return on or before the due date for the return. Where amendments need to be made after the return has been filed or deemed filed (if not filed by the due date) you should contact your local Revenue district. A surcharge will also apply to any amendments made after the due date for the return, and you may be liable for interest and penalties.

I have multiple contracts with the same contractor. Must I register each contract separately?

Yes. You will be required to register each contract separately in the new system unless they are considered to be part of an ongoing contract with the subcontractor. Each contract will be given a unique contract reference number and payment notifications should be made to Revenue under the relevant contract reference number.

How will I confirm that a contract with a subcontractor is an ongoing contract?

If a principal contractor engages a subcontractor to perform the same type of work at a number of sites, this could be viewed as being an ongoing contractual relationship, provided that:

- the terms of the contract do not change;
- the parties to the contract do not change; and
- the subcontractor does not have to compete for the work on the additional sites (i.e. submit a tender).

This includes situations where the jobs do not succeed each other immediately or where the work is performed on multiple sites. Only one relevant contract will need to be registered in the new system if the contract can be considered to be an ongoing contract.

You must register each contract separately in the new system, if any of the following apply:

- The subcontractor has to compete (e.g. tender) for new work;
- The contractual relationship between the parties has changed e.g. the principal sets up a new entity (e.g. a limited company) for each site;
- The contractual terms have changed significantly e.g. the payment arrangements have changed from fixed price to piece work;
- No payments were made in the preceding year to the subcontractor.

Each contract will be given a unique contract reference number and payment notifications should be made to Revenue under the relevant contract reference number.

Penalties

Revenue has indicated the following:

- a) €5,000 penalty on a principal contractor for making payments to a subcontractor prior to the receipt of a payment notification.
- b) €100 penalty for late filing of RCT returns or amended returns.
- c) Application of interest on outstanding liabilities (0.0273% per day on liability amount)