

Section A - General Application of RCT/VAT Reverse Charge

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A1 Fee paying schools are not mainly funded by the State. Why are they included as Principal Contractors and obliged to operate RCT/VAT?

Boards of Management in fee paying schools are regarded as Principals for the purposes of the Taxes Acts. The reference to "any board established by or under statute" has been included in the RCT legislation since 1976.

The reference to "any board or body established by or under royal charter and funded wholly or mainly out of moneys provided by the Oireachtas" was introduced by Finance Act 2007. The reference to moneys provided by the Oireachtas is in relation to boards established by or under Royal Charter **only**, and is not intended to apply to any other board or body established under statute, as the reference to moneys provided by the Oireachtas was not included in the RCT legislation in 1976.

A2 Who on the Board of Management is responsible for ensuring that RCT and VAT are operated correctly?

As regards the responsibilities of Board members, most boards have responsibilities in relation to other Taxes and RCT is no different to these. The duties and responsibilities of the Board or its members are matters for the Board to decide having regard to the appropriate legislation and advice from the Department of Education and Skills.

A3 How does the Board register for ROS, RCT, and VAT?

Registering for Revenue's On-Line Service (ROS)

Revenue's On-Line Service (*ROS*) is an internet facility which provides customers with a quick and secure facility to file tax returns, pay tax liabilities and access their tax details, 24 hours a day, 7 days a week, 365 days a year. The main features of **ROS** include facilities to:

- File returns online
- Make payments by laser card, debit instruction (or by online banking for Income Tax only)
- Calculate tax liability
- Conduct business electronically
- Claim repayments

All RCT and VAT transactions are now carried out electronically through ROS.

ROS has a simple three-step registration process. From the ROS homepage click on 'Register' under the Self-employed Individuals, Business and Practitioners heading and follow the 3 step process. You will be issued with a Digital Certificate when you have completed the 3 steps. Your Digital Certificate enables you to access ROS and utilise its full menu of services.

To ensure the security of the service, the authentication procedure involves issuing correspondence via land mail. The whole process typically takes 8 working days, so you should be sure to start the process well in advance of any filing deadlines that may apply.

Further details on ROS registration is available here:
www.ros.ie/PublisherServlet/info/setupnewcust

Registering for RCT and VAT

You must be registered for ROS before you can use the eRegistration facility. eRegistration is a Revenue initiative to enable Agents and Customers who have registered with ROS or myAccount to manage their Revenue registrations online. It was significantly enhanced in 2012, and it now represents a comprehensive alternative to paper-based correspondence.

While a paper application is still required in a limited number of registration transactions, all paper applications received which could otherwise be completed online will be returned to the customer or their agent with a request that the transaction be dealt with online.

Most Boards of Management are able to register using the eRegistration facility. If any difficulties arise, you should contact your local [Revenue office](#).

Should you have any queries on the eRegistration system, some common questions on the operation of the system are available in the [eRegistration FAQs](#).

A4 We have no work planned for this year. Do we still have to register for ROS, VAT, and RCT?

RCT/VAT applies to more than just major building works. It also encompasses alteration, repair, extension, demolition or dismantling of structures or buildings and the alteration or repair of systems including heating, lighting, water, power and ventilation systems.

Every Principal Contractor who enters into a relevant contract must be registered with Revenue. While no major works may be in the pipeline, it is likely that all schools will have some level of repairs to be carried out over the course of the year.

As the ROS Access Number (RAN) is issued by post, it can take up to 8 working days to finalise the registration process. It is recommended therefore that you register for ROS, VAT and RCT as soon as possible so that you will be in a position to interact with the system as contracts are entered into.

A5 Do we have to remain registered for RCT/VAT even though we have no further building works being carried out?

RCT/VAT applies to more than just major building works. It also encompasses alteration, repair, extension, demolition or dismantling of structures or buildings and the alteration or repair of systems including heating, lighting, water, power and ventilation systems.

While no major works may be in the pipeline, it is likely that all schools will have some level of repairs to be carried out over the course of the year. It is recommended therefore that you remain registered for VAT and RCT so that you will be in a position to interact with the system as contracts are entered into.

A6 Can more than one person in the office access the ROS system using one digital certificate, or should each user register separately?

Only one digital certificate should be requested per tax reference number. The ROS administrator can then create subsidiary certificates that can be used by other users in the office.

A7 Is there an amount that can be paid without RCT/VAT being operated?

Where payments are subject to RCT (and VAT) under a relevant contract, there is no minimum amount that can be paid without operating RCT or the VAT reverse charge.

Note also that the obligation to operate RCT and account for VAT is not confined to building works funded by the Department of Education and Skills. RCT applies to all construction works ranging from major construction projects to general alteration or repair works.

A8 What is the correct procedure where non-resident subcontractors are engaged to carry out work in a school?

Where the work is carried out in the State, Irish VAT and RCT rules apply. Non-resident contractors are treated the same as resident contractors. Unestablished traders carrying out work in the State should be registered for Irish VAT and apply the VAT Reverse Charge rules.

Where an invoice for *construction operations* that are subject to RCT is presented to a school, **and the invoice shows a charge to foreign VAT, the foreign VAT should not be paid.** The school should calculate the Irish VAT due at 13.5% on the VAT exclusive amount shown on the invoice, and show this amount on the VAT return.

A9 Are payments to caretakers and handymen subject to RCT/VAT?

The key question here is the employment status of the person engaged to do the work. Caretakers are generally employees who, amongst other duties, are employed to look after the buildings and areas around them. Payments to caretakers employed by the school should be subjected to PAYE/PRSI/USC in a similar manner to all other payments to employees. A handyman may also be employed by the school and if so payments should be treated as above. If however the handyman is not an employee but a self-employed contractor then payments made to the handyman for the carrying out of construction operations are subject to RCT/VAT.

Guidance on determining whether a worker is an employee or self-employed contractor is available [here](#) :

A10 Are schools obliged to operate RCT/VAT if the subcontractor has a valid Tax Clearance Certificate?

Yes. Subcontractors who hold a Tax Clearance Certificate are not excluded from the operation of RCT/VAT.

A11 What is the position where the works are funded by the parents association?

RCT should be operated on all payments under a relevant contract between a principal contractor and a subcontractor to carry out relevant operations.

Parents associations are not principal contractors for the purposes of RCT. However, where the moneys raised by the parents association in the name of the school are donated to the board of management who then engage the contractors to carry out the work then the board of management is a principal contractor.

If the relevant contract is between the board and the subcontractor, then any payments under that contract, even those paid by a third party, are liable to RCT.

A12 How should voluntary construction work carried by parents be treated?

“Voluntary” work by its nature is unpaid, so no exposure to RCT would arise.

A13 How do schools treat payments made to parents of pupils who occasionally carry out repair work/jobs?

RCT should be operated on all payments under a relevant contract between a principal contractor and a subcontractor to carry out relevant operations.

The question to be asked is does the work come under a relevant contract. If it does then the payments to the subcontractor/parent are subject to RCT. If the subcontractor/parent is registered for VAT, then the VAT Reverse Charge rules must be applied.