

Revenue Compliance

PAYE/PRSI

The Board of Management is the legal employer of all staff in the school. The Board of Management is responsible for ensuring all their employees receive certain basic employment rights. These rights are governed by detailed employment legislation. As the legal employer the Board of Management is responsible for ensuring that all payments made by the school comply with PAYE regulations.

The following is a summary of the Board of Management's responsibilities in relation to Revenue compliance:

- Make deductions at source of Income Tax, USC and PRSI from payments made to employees and an obligation to remit deductions to Revenue.
- Ensure all payments made to employees are Revenue compliant.
- Keep and maintain, in paper or electronic format, a register of all employees.
- Notify Revenue of all new employees in the school.
- Submission of P45's to Revenue when employees cease employment with the school.
- Determine the employment status of an individual i.e. is the person an employee or are they self-employed.
- Filing and payment of all Revenue payroll returns on time.

RCT, Reverse Charge VAT

A **school Board of Management**, in its capacity as a body established by statute and funded wholly or mainly from funds provided by the Oireachtas, is designated as a "**Principal Contractor**".

This means that a board of management is responsible for complying with RCT requirements and VAT returns when making payments to the building contractor. In addition, the Revenue has introduced a mandatory electronic RCT system with effect from January 1, 2012 for all principal contractors. From that date all filings and notifications to Revenue by a principal contractor must be done through the Revenue Online (ROS) system.

Under section 20 of the Finance Act 2011, new regulations have been introduced which affect the tax treatment of payments to contractors engaged by schools on "Construction operations".

Construction operations" means operations of any of the following descriptions:

- a) The construction, alteration, repair, extension, demolition or dismantling of buildings or structures;
- b) The construction, alteration, repair, extension or demolition of any works forming, or to form, part of the land, including walls, road-works, power lines, telecommunication apparatus, aircraft runways, docks and harbours, railways, inland waterways, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage;
- c) The installation in any building or structure of systems of heating, lighting, air-conditioning, soundproofing, ventilation, power supply, drainage, sanitation, water supply, burglar or fire protection;
- d) The installation in or on any building or structure of systems of telecommunications;
- e) The external cleaning of buildings (other than cleaning of any part of a building in the course of normal maintenance) or the internal cleaning of buildings and structures, in so far as carried out in the course of their construction, alteration, extension, repair or restoration;

Operations which form an integral part of, or are preparatory to, or are for rendering complete such operations as are described in paragraphs (a) to (d), including site clearance, earth-moving, excavation, tunnelling and boring, laying of foundations,

Relevant Contracts Tax (RCT)

Relevant Contracts Tax (RCT) is a tax regime which applies to construction contracts where the tax is deducted from payments due to a sub-contractor by the principal contractor. The rates of RCT are either 0%, 20% or 35%.

1. Relevant Contracts Tax (RCT)

- RCT is a withholding tax operating in the construction sector since the 1970s
- School boards of management are classified as principal contractors for RCT
- All schools should be registered for RCT whether or not a contract is imminent
- RCT must be operated by a **principal contractor** making **relevant payments** to a sub-contractor under a relevant contract
- A relevant contract refers to **the construction, alteration, repair, extension, demolition or dismantling of buildings and structures**. It includes contracts of all sizes involving construction, repair or alteration.
- Maintenance only contracts are not included Contracts involving **maintenance and repair** are included
- RCT is an electronic system processed through ROS and its key features are:
 - Contract Notification
 - Payment Notification
 - Deduction Authorisation
 - Deduction Summary/Return
 - Payment of RCT due by 23rd of month after the period covered by the return
- RCT -Reverse charge rules do not apply to payments to
 - architects
 - quantity surveyors
 - engineers or
 - design teams
- It does not apply to Professionals within the construction industry

VAT Reverse Charge

Where a board receives construction services, other than haulage for hire, it must account for VAT on such services to Revenue. **The method of accounting for VAT in such cases is known as reverse charge.** In effect, the board, which receives the services, charges itself the VAT that would otherwise be charged by the subcontractor. The board accounts to Revenue for that VAT.

Boards of Management are not entitled to deductibility for VAT incurred, therefore the "VAT on Purchases" figure in the VAT 3 form will be NIL. The VAT payable to Revenue will be the full amount of the VAT arising on the construction services.

Further information is available on our website www.fssu.ie

Guidance Note/Boards of Management/Relevant Contracts Tax/Value Added Tax

2. VAT Reverse Charge

- Principal contractors must register for VAT to operate the VAT reverse charge on construction
- Sub-contractors should invoice the board of management net of VAT
- The invoice must contain the statement: **"VAT on this supply to be accounted for by the Principal Contractor"**
- VAT should only be paid to Revenue; VAT is never paid to sub-contractors
- VAT on construction services is calculated at 13.5% and included in **VAT 3 Return** bimonthly (even 0)
- VAT due is included in VAT 3 return as "VAT on Sales" (T1 - only relevant entry)
- A board of management is not entitled to deductibility for VAT incurred
- A separate invoice should be received for supply of goods/services other than construction services
- VAT is included in the normal way on payments to architects/engineers and paid directly to them.
- Annual Return of Trading Details to be filed

If in any doubt contact the local Revenue office.

The FSSU is available to provide detailed support at any stage of the process.