

Power to succeed  
Relevant Contracts Tax  
for the renewable  
energy sector



Persons involved in the production of electricity are deemed to be Principal Contractors for RCT purposes. Failure to operate RCT from the early stages of a project can result in significant tax exposures.

#### What is Relevant Contracts Tax (RCT)?

RCT is a withholding tax which a Principal is obliged to apply to payments made to service providers for certain services received. There are now three withholding tax rates; a 0% deduction rate will apply to contractors who satisfy specific conditions, a new standard deduction rate of 20% will apply to contractors who are registered with Revenue with an established compliance record, and a 35% rate will apply to contractors who are either not registered with Revenue or who may have tax compliance issues to address.

#### Who should operate the RCT system?

RCT should be operated by those defined as a 'Principal'.

The definition of a Principal is very broad, it includes property developers, building companies, telecommunications companies, wind farms, financial institutions and NAMA entities involved in construction activities.

All Government bodies, local authorities, public utilities, boards and bodies established under statute are also deemed to be Principals.

#### When should I deal with RCT?

Before you sign a contract you should consider RCT. Ensure your contract deals with it. Ensure that you register this contract on ROS before any payments, including deposits, are paid.

#### What payments are subject to RCT?

A Principal engaged in the production of electricity should operate RCT on all relevant contractor payments. The range of services subject to RCT is very broad and includes the following;

- Wind farm construction
- Site clearance and provision of access routes to a wind farm
- Supply and install contracts
- Operation and maintenance contracts which include repairs
- Design and build contracts
- Contracts involving installation services, e.g. electrical, mechanical, engineering, power supply, heat, light, air-con
- Agency services related to the provision of labour
- Repair, demolition, site preparation and clearance services (including skip hire)
- Haulage services, crane and scaffolding hire

#### The key features of the new RCT system are:

- The standard RCT rate has being reduced from 35% to 20%
- A 0% rate will apply to contractors who satisfy Revenue of certain conditions; notably that contractors tax affairs are kept up to date
- All Principal contractors must engage with Revenue electronically
- Revenue will automatically credit a contractor with any RCT deducted
- Contractors will receive details of notified contracts, payment authorisations, and notification from Revenue if their deduction rate status changes
- There will be no interim RCT repayments; instead an automatic offset against other taxes will apply
- New penalties and surcharge introduced

### How should the new “eRCT” system be operated?

All Principal contractors are obliged to register with the Revenue Online System (ROS) through which all RCT compliance is to be conducted. In summary, there are four stages in the compliance cycle as follows:

#### Contract notification

A Principal must notify Revenue online each and every time a new relevant contract is entered into with a contractor. Specific details regarding the contractor engaged and the contract itself will be required. The Principal will receive a unique contract reference number and an indication of the applicable deduction rate for the contractor.

#### Payment notification

Prior to making each payment to any contractor, a Principal must use the eRCT system to notify Revenue of the amount of the proposed payment. Payments must be linked to a specific contract previously notified as above. A deduction authorisation will issue to the Principal’s ROS inbox immediately.

#### Deduction authorisation

The deduction authorisation confirms the rate of RCT applicable to the payment and the amount of tax to be deducted. The Principal should provide the contractor with the deduction authorisation details. The contractor will also be able to check these on their own eRCT account.

#### Deduction summary

Revenue will issue a deduction summary at the end of each return period which will detail all of the deduction authorisations issued to the Principal for that period. The summary will indicate the amount of tax due based on details input. The summary should be verified and can then be accepted or amended if necessary.

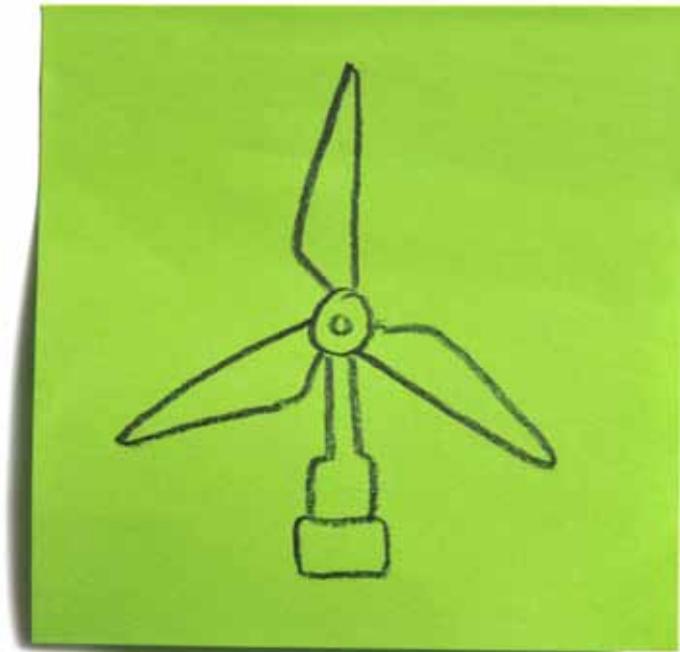
### How we can help

If you are engaged in the production of electricity, you fall within the definition of a Principal Contractor and you need to be aware of your RCT obligations.

Our dedicated RCT team can advise and assist Principals and contractors with all aspects of RCT including compliance and processes required.

We also have significant experience in carrying out pre audit/RCT health checks and preparation of voluntary disclosures. Our first-hand experience with Revenue, and our proven ability to negotiate with them, ensures you get comprehensive support with your RCT obligations.

We can also provide training on the practical operation of RCT tailored to suit your specific business needs and any of our RCT services can be provided separately or as part of a suite of tax, audit, consultancy and financial services.



# Contacts

## For more details please contact:

Pascal Brennan  
Partner  
T: +353 1 417 2443  
E: pabrennan@deloitte.ie

Fergus Finnegan  
Director  
T: +353 1 417 2497  
E: ffinnegan@deloitte.ie

Ted Holohan  
Director  
T: +353 1 417 7080  
E: tedholohan@deloitte.ie

Rory O'Neill  
Director  
T: +353 61 43 5512  
E: roryoneill@deloitte.ie

Alan Kilmartin  
Senior Manager  
T: +353 1 417 3630  
E: akilmartin@deloitte.ie

Dublin  
Deloitte & Touche  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2  
T: +353 1 417 2200  
F: +353 1 417 2300

Cork  
Deloitte & Touche  
No.6 Lapp's Quay  
Cork  
T: +353 21 490 7000  
F: +353 21 490 7001

Limerick  
Deloitte & Touche  
Deloitte & Touche House  
Charlotte Quay  
Limerick  
T: +353 61 435500  
F: +353 61 418310

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