

Get connected
Relevant Contracts Tax
for the telecommunications
sector



The Finance Act 2012 extended the definition of a Principal Contractor to include those who carry out the installation, alteration or repair in or on any building or structure of systems of telecommunications.

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 and have an established compliance record; and a 35% rate will apply to contractors who are not registered with Revenue or who may have tax compliance issues to address.

Who should operate the RCT system?

RCT should be operated by businesses defined as a 'Principal'. From 31 March 2012, companies and individuals who carry out work on the installation, alteration or repair of telecommunications systems are now specifically included in the definition of a Principal. Previously, those who subcontracted the installation of telecommunications systems may have been a Principal for RCT purposes depending on contractual relations.

The definition of a Principal is very broad and it also includes property developers, building companies, producers of gas, oil, water, electricity (e.g. wind farms), financial institutions and NAMA entities now involved in construction activities.

All Government bodies, local authorities, public utilities, boards and bodies established under statute are 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?

Those now deemed a Principal should operate RCT on all relevant contractor payments not just telecom related activities. The range of services subject to RCT is very broad and includes the following:

- Installation, alteration and repair of telecommunications systems
- Design and build contracts
- Contracts which include repair or installation services, e.g. power supply, wind farms, 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
- Operations preparatory, integral to or rendering complete the installation, alteration and repair of telecommunications systems

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 involved in the installation, alteration or repair of telecommunications systems in Ireland, you now fall within the definition of a Principal Contractor and you need to be aware of your RCT obligations.

Our dedicated RCT team advise and assist both 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 advisory services.



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