

How does it work?



If you are a subcontractor:

- You will no longer charge VAT to the principal.
 - You should issue an invoice* to the principal, which includes your VAT registered number but **does not include the VAT rate or VAT amount.**
- The invoice will also contain the statement “VAT ON THIS SUPPLY TO BE ACCOUNTED FOR BY THE PRINCIPAL CONTRACTOR”
- You can still claim a refund of deductible VAT incurred for the purposes of your business in your VAT return.

If you are a principal:



- Instead of paying VAT to the subcontractor you will now account for the VAT on the subcontractor’s supplies directly to Revenue.
 - You will receive an invoice * from the subcontractor that will not include VAT.
- You should calculate the VAT on the supply and account for the VAT due by including it in your VAT return with your VAT on sales.
- You can claim a simultaneous deduction for this VAT in your return under VAT on purchases.
- If RCT is to be deducted, it should be calculated on the **VAT exclusive** amount.

Where can I get more information?

A more detailed information leaflet is available on the Revenue website at www.revenue.ie or contact your local Revenue Office.

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.

*If agreed between the principal and the subcontractor, the principal may issue this invoice.

Important Information for Principal Contractors & Subcontractors.

Reverse Charge VAT in the Construction Industry on services subject to Relevant Contracts Tax (RCT)

Effective from 1 September 2008

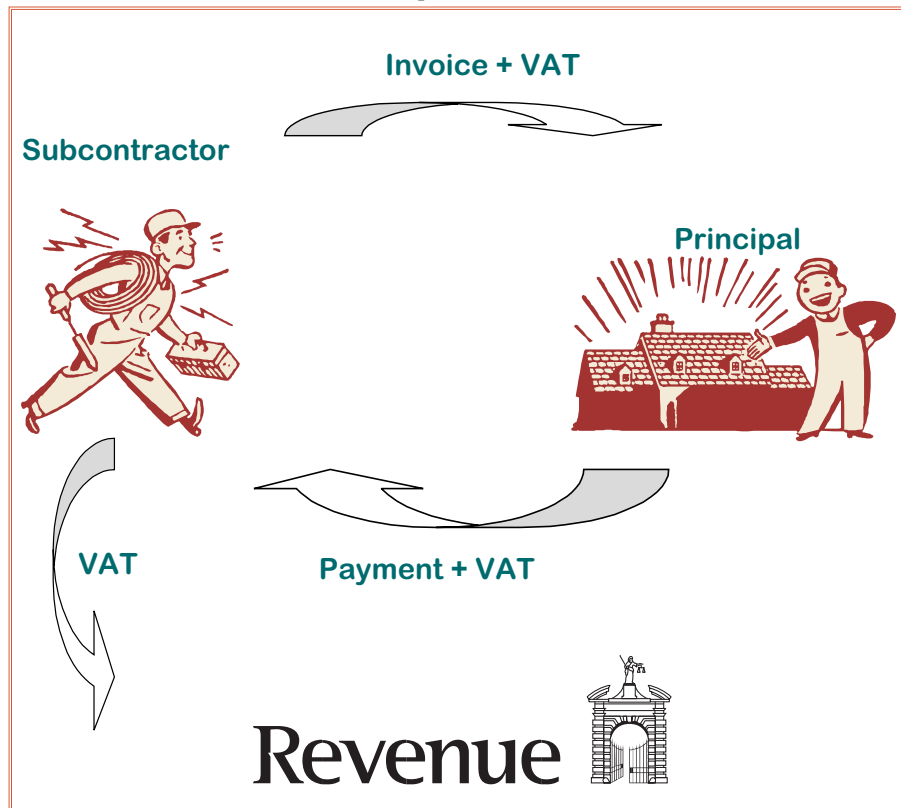
Introduction

From 1 September 2008, there will be major changes in how principal contractors and subcontractors in the construction industry account for VAT.

The overall VAT cost to principal contractors & subcontractors will not change.

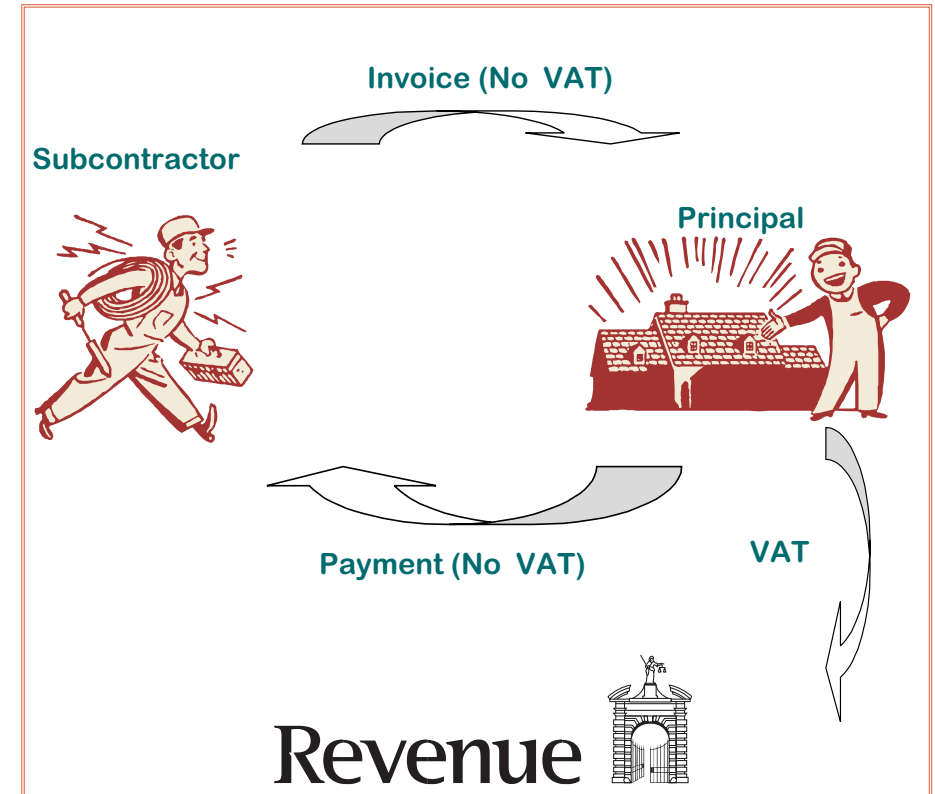
Principal contractors and subcontractors will need to know how to operate the new system and be prepared for the change.

Position before 1 September 2008



- The subcontractor charges VAT to the principal.
- The principal contractor pays the VAT to the subcontractor.
- The subcontractor passes it on to the Revenue Commissioners.

Position after 1 September 2008



- The subcontractor will not charge VAT to the principal contractor.
- The principal contractor will calculate the VAT on the amount charged by the subcontractor.
- The principal contractor will account for the VAT directly to Revenue in his/her VAT return.
- The principal contractor can normally claim a deduction for this VAT in his/her VAT return.

What services are affected?

All construction services (other than haulage) to which RCT applies. If RCT applies, reverse charge applies.