

Introduction

Professional Services Withholding Tax (PSWT) applies to payments made by certain public bodies for professional services provided to them. These bodies are known as **accountable persons** for the purposes of the PSWT scheme.

PSWT is not an additional tax. It is a deduction on account, made at the point of payment, of the final liability of the person who provides the professional service. PSWT is deducted at the **standard rate** of income tax.

It should be noted that PSWT is deducted from the **total amount** of the payment for the professional service involved, **including**, in general, any amount in respect of expenses, outlay or third party costs, but excluding any VAT charged by the person providing the service.

Which public bodies must deduct PSWT?

The following public bodies are regarded as accountable persons and are required to deduct PSWT from payments made by them in respect of professional services:

- ▼ Government Departments and Offices
- ▼ Local authorities, etc.
- ▼ The Health Service Executive
- ▼ Commercial and non-commercial semi-State bodies and their subsidiaries.

A comprehensive list of accountable persons is set out in Schedule 13 Taxes Consolidation Act 1997.

What professional services are subject to PSWT?

Basically, all professional services are subject to PSWT, including:

- ▼ Services of a medical, dental, pharmaceutical, optical, aural or veterinary nature
- ▼ Services of an architectural, engineering, quantity surveying or surveying nature and related services

- ▼ Services of accountancy, auditing or finance and services of financial, economic, marketing, advertising or other consultancies
- ▼ Services of a solicitor or barrister and other legal services
- ▼ Geological services
- ▼ Training services provided on behalf of FÁS.

What is the rate of PSWT?

The rate of PSWT is equal to the standard rate of income tax.

From whom should PSWT be deducted?

Subject to certain exclusions specified in the law (see **Exclusions** paragraph at the end of this leaflet), PSWT should be deducted by accountable persons from all payments made for professional services. The persons providing the services may be individuals, companies, partnerships or persons who may not ultimately have a liability to tax (e.g. non-residents).

How is PSWT collected ?

When an **accountable person (public body)** makes a payment for professional services, it is obliged to deduct the PSWT from the **total amount** of the payment due,

- ▼ **including** any amount in respect of expenses, outlay or late payment interest, **but**
- ▼ **excluding** any VAT charged by the person providing the professional service and/or any Stamp Duties, Land Registry fees, Deed of Registration fees, Company Office fees or Court fees paid by that person to the appropriate authorities.

How does a person get proof that PSWT has been deducted?

Where a person provides professional services to an accountable person, the person providing the service is obliged to provide the public body with:

- ▼ in the case of an individual, his/her Personal Public Service Number (PPS No.), and

- ▼ in the case of a company, its tax reference number.

If VAT is included in the payment, the person's VAT registration number must also be provided, if different from the PPS No. or tax reference number. Non-resident persons are required to state the tax reference that they use in their country of residence.

Those providing professional services to accountable persons should **always ensure that the accountable person is aware of their PPS No. or tax reference number at the time payment is being made** for services. The accountable person will, when making a payment for professional services, give the person providing the service a **Form F45** confirming the amount of the payment made and the amount of PSWT withheld.

Where **exceptionally** the Form F45 originally issued to the person providing the professional service is lost or destroyed, a Form F43 may be issued by the accountable person. A Form F43 may also be issued where the original F45 needs to be corrected. Requests by service providers for Forms F43 should only be made to accountable persons in these limited circumstances.

How is PSWT credited to a taxpayer?

General

Credit for PSWT deducted, as confirmed in **Forms F45**, should be claimed by taxpayers when submitting their relevant tax return forms. **Forms F45** are valuable documents and should be presented to the taxpayer's Revenue office, if requested, for verification.

For **individual taxpayers** assessable to income tax, credit for PSWT is normally given for the tax year in which the PSWT was deducted (however, see **Commencing Business** below).

For **companies** assessable to corporation tax, **credit** is given for the accounting period in which the PSWT was deducted.

Commencing Business

For an individual commencing business, credit for PSWT deducted in the first year of business will not normally be given until the second year of assessment. This arises because the first 12 months' accounts form the basis for two years of assessment and the PSWT is

deemed to be deducted in the second basis period. However, such an individual may qualify for an interim refund - see "**Interim Refunds of PSWT**" below.

Preliminary Tax

A taxpayer who has had PSWT deducted can take this into account when paying Preliminary Tax. For example, if a taxpayer estimates Preliminary Tax liability for a tax year to be (say) €15,000 and has PSWT credits of €10,000 available, these can be used as part payment of the Preliminary Tax liability, leaving the balance of €5,000 to be paid directly to the Collector-General, under the Pay and File rules of the self-assessment system.

Interim refunds of PSWT

General

Where a taxpayer considers that the amount of PSWT deducted from payments is in excess of likely final liability to tax, an application may be made to the taxpayer's Revenue office for an interim refund of any excess, instead of waiting to have it credited against final liability.

Application is made on Form F50 (available from the Revenue Forms & Leaflets Service at LoCall 1890 306 706 and from the Revenue website at www.revenue.ie/forms/formf50.pdf).

The following **three** conditions must be satisfied before an interim refund of PSWT deducted from a payment can be made:

- (i) The profits of the period immediately preceding the period of claim must have been finalised,
- (ii) The tax payable for that preceding period must have been paid in full, and
- (iii) **Forms F45** for the PSWT in question must be provided to the taxpayer's Revenue office.

Example

An interim refund is claimed in relation to PSWT withheld from a payment made on 1/7/2008. Accounts are made up to 30 September each year.

For an individual to qualify for an interim refund, the profits of the basis period for 2007 (i.e. year ended 30 September 2007) must have been finalised and the tax payable for 2007 must have been paid. For a company to qualify for an interim refund, the profits of the accounting period ended 30 September 2007 must have been finalised and the tax payable for that period must have been paid.

From the PSWT withheld, an amount equal to the tax liability at (ii) above is deducted (this is taken to approximate to the likely liability for the year 2008). In addition any outstanding VAT, PAYE or PRSI liability is deducted. The balance of PSWT withheld, if any, is refunded to the taxpayer.

Commencing Business

A person who has recently commenced in business may wish to apply for an interim refund. Because such a person would be unlikely to satisfy the three conditions outlined above, Revenue applies special treatment whereby likely current tax liability is estimated and any excess PSWT deducted is refunded.

Particular hardship

Interim refunds may also be claimed in situations of particular hardship, even though all of the three conditions outlined above may not be fulfilled.

Some or all of the those conditions may be waived where amounts of PSWT withheld are substantially in excess of likely final liability and failure to meet the conditions would not permit an interim refund in certain circumstances, such as:

- ▼ due perhaps to a once-off or unusual receipt, a once-off or unusual reduction in income, or a demonstrable permanent reduction in income, **or**
- ▼ if, through no fault of the taxpayer, there is a delay in finalising liability to tax for a particular year due to illness or other exceptional circumstance, **or**

- ▼ if income tax liability (net of PSWT credited) paid in a period of claim together with PSWT deducted in that period exceeds an amount arrived at by multiplying the taxpayer's income for the period by the higher rate of tax which applies for that period.

All applications for interim refunds should be made to the taxpayer's Revenue office.

Statement of Practice No. SP-IT/3/90 "Withholding Tax - Interim Refunds" issued by the Revenue Commissioners is also available from Revenue Forms and Leaflets Service at LoCall 1890 306 706 or from the Revenue website at www.revenue.ie/leaflets/sp-it-3-90.doc.

Charities and Non-residents

PSWT must also be deducted by accountable persons from payments for professional services which are made to certain charities and non-residents. Charities and non-residents who are not liable to tax can claim repayment of the PSWT deducted. Where a charity has already been granted exemption from tax by the Revenue Commissioners, PSWT need not be deducted by the accountable person (see **Exclusions** overleaf).

Charities should contact Charities Section at the **address below** in order to claim a refund of PSWT or to claim exemption, or by e-mail to charities@revenue.ie.

Non-residents of the State who are not chargeable to tax in the State for the year in which PSWT is deducted may apply for repayment of the PSWT to International Claims Section at the **address below**, or by e-mail to intclaims@revenue.ie.

*Revenue Commissioners,
Collector General's Division,
Government Offices,
Nenagh,
Co. Tipperary.*

Telephone: LoCall 1890 666 333 (ROI only)
or 00353 6763400 (from outside Ireland)

Where a non-resident is chargeable to tax in the State for the period in which the PSWT is deducted, claims for credit, refund, or interim refund of PSWT should be made to the Revenue office which deals with the tax affairs of the non-resident. Non-residents are chargeable to tax in the State for the period in which the PSWT is deducted, if during that period they carry on business through a permanent establishment situated in the State.

Exclusions

PSWT should not be applied by accountable persons to payments made:

- ▼ which are subject to PAYE.
- ▼ which come within the Relevant Contracts Tax (RCT) scheme.
- ▼ to other accountable persons:
 - in re-imbusement of payments for professional services, or
 - where the income of the accountable person receiving the payment is exempt from income tax or corporation tax;
- ▼ to charities which have been granted an exemption from tax by the Revenue Commissioners.

Further Information

This leaflet is for general information only. If you need further information or clarification on any point please refer to the more detailed Revenue Guide to PSWT (Leaflet IT 61) on the Revenue website www.revenue.ie or contact your Revenue office

Revenue
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