

VAT Reverse Charge - Checklist for Public Bodies

1. From 1 September 2008 new VAT rules apply to principal contractors and subcontractors involved in construction operations (see below for definition of construction operations)
2. All Government Departments, Local Authorities, boards established by or under Statute and certain other Public bodies (referred to below as '**public bodies**') who are in receipt of construction services are regarded as principal contractors for RCT purposes. The provider of such services is referred to as a sub-contractor for RCT purposes.
3. Where a public body receive 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 public body which receives the services charges itself the VAT that would otherwise be charged by the sub-contractor. The public body accounts to Revenue for that VAT.
4. Such public bodies are required to be registered for VAT.
5. To register for VAT download form TR 1 from <http://www.revenue.ie/forms/formtr1.pdf> and forward the completed form to your Revenue district. Contact details for your Revenue district are available on <http://www.revenue.ie/>

6. The sub-contractor should invoice the public body net of VAT.
7. The public body should not pay any VAT over to sub-contractors from that date.
8. The public body should calculate the VAT due on services from the sub-contractor and include the VAT in the VAT 3 return as VAT on Sales at T1.
9. Public bodies are generally not entitled to deductibility for VAT incurred, therefore the VAT on Purchases figure at T2 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. This figure will be at T3.

↓ **VAT3 RETURN (and PAYSLIP)** Please complete below, detach and return ↓

Bank Details - to be supplied if:
 Payment is being made by Single Debit Authority
 (do not complete this authority if you are paying by cheque), or
 ⇒ A repayment is being sought (see Method of Repayment above).

Branch Sort Code

Account Number

Debit Amount **Single Debit Authority** **.00**

Please debit my account with the amount specified.

E1 Value of Goods Sent to other EU Countries **.00**

E2 Value of Goods Received from other EU Countries **.00**

Office Use **AMD** **O/S**

T1	VAT on Sales	.00
T2	VAT on Purchases	.00
T3	Excess of T1 over T2 (Payable)	.00
T4	Excess of T2 over T1 (Repayable)	.00
	Amount of Payment	.00

I declare that this is a correct return of Value Added Tax for the period specified.
 Signed:- _____ Date:- _____

VAT3 B

10. Public bodies may go from a position of having no VAT liability to having very significant VAT liability. This represents VAT that would previously have been charged by sub-contractors and paid to them.

11. RCT should be deducted (where required) from the VAT exclusive amount.
12. Supplies of goods by a sub-contractor are not subject to the reverse charge. The two-thirds rule does not apply to construction services supplied by sub-contractors to principals; the two-thirds rule continues to apply in relation to other services.
13. It is important that accounting systems of public bodies can deal with the new system. It would be advisable to contact your software provider in this regard.

Public Bodies who are principal contractors

(extract from Section 531, Taxes Consolidation Act, 1997)

(d) a local authority, a public utility society (within the meaning of section 2 of the Housing Act, 1966) or a body referred to in subparagraph (i) or (ii) of section 12(2)(a) or section 19 or 45 of that Act,

(e) a Minister of the Government,

(f) any board established by or under statute [or any board or body established by or under royal charter and funded wholly or mainly out of moneys provided by the Oireachtas],³ or

(g) a person who carries on any gas, water, electricity, hydraulic power, dock, canal or railway undertaking,

Definition of Construction Operations

(extract from Section 530, Taxes Consolidation Act, 1997)

“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, roadworks, power lines, [telecommunication apparatus,]² 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,

[(ca) the installation in or on any building or structure of systems of telecommunications,]³

(d) 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,

(e) 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, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works,

(f) operations which form an integral part of, or are preparatory to, or are for rendering complete, the drilling for or extraction of minerals, oil, natural gas or the exploration for, or exploitation of, natural resources,

(g) the haulage for hire of materials, machinery or plant for use, whether used or not, in any of the construction operations referred to in paragraphs (a) to (f);