

**Re: VAT - New method of accounting for VAT within the construction industry.**

Dear Sir/Madam,

**A new VAT system for services within the construction industry will be introduced from the 1 September 2008.** The new system only applies to services which come within the scope of Relevant Contracts Tax (RCT) but excluding haulage for hire. Services provided to customers who are not principal contractors will continue to be treated under the existing system.

**From 1 September 2008 a subcontractor will no longer charge VAT to a principal contractor. Instead the principal contractor will account directly to Revenue for the VAT on services received from a subcontractor.** The principal contractor should include the VAT on services received from a subcontractor in his VAT return as VAT on Sales (T1) and can claim a simultaneous input credit for that VAT under VAT on Purchases (T2) subject to the usual conditions.

The attached leaflet has issued to all Revenue customers affected by the change. See [www.revenue.ie](http://www.revenue.ie) and click on '*Construction Services - New VAT rules for Principal Contractors and Sub-contractors - from 1 September 2008*' for:

- **full details of new rules**
- **Frequently Asked Questions**
- **Check List for practitioners**

While the overall net amount of VAT payable on construction services remains unchanged, the reverse charge will entail a significant change in VAT payment patterns and administrative practices for many taxpayers. It is essential that your clients are aware of the need to begin to prepare for the change at this stage, to ensure a smooth transition to the new system from 1 September next.

*The easiest and quickest way to file your VAT returns is to use ROS (Revenue On-Line Service). Details of ROS services, and how to register, are available at [www.revenue.ie](http://www.revenue.ie)*

Yours faithfully,

  

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Telephone Number:

E-mail: