

**Re: VAT - Important information for principal contractors.**

**Your Ref:**

Dear Sir/Madam,

The operation of VAT in the construction industry is changing. The new system starts on **1 September 2008**. As a principal contractor, you will need to be ready for the new system. **Please read the enclosed leaflet carefully.**

**What is the new system?**

From 1 September 2008 invoices from your subcontractors will not include VAT. Instead you will have to charge yourself the VAT on supplies from subcontractors and include that VAT in your VAT return. This will affect the amount of VAT you pay to Revenue but not the amount you pay overall.

**Example**

For example, if you receive services for which a subcontractor charges you €1,000, not including VAT, then from 1 September 2008:

- The subcontractor should invoice you for €1,000 (VAT not included)
- You should pay the subcontractor €1,000
- You should calculate the VAT on the service ( $€1,000 \times 13.5\% = €135$ )
- You should include this amount in your VAT return as VAT on Sales (T1).
- You can claim an input credit for this amount (€135) in your VAT on Purchases (T2) subject to the usual requirements.

**Remember, if you are also a subcontractor, you should not charge VAT to your principal contractors from 1 September 2008.**

A more detailed information leaflet is available on [www.revenue.ie](http://www.revenue.ie) or you can contact this office for further information using the contact details above.

*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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