

Re: VAT - Important information for principal contractors and subcontractors.
Your Ref:

Dear Sir/Madam,

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

What is the new system?

As a principal contractor - invoices from your subcontractors for construction services should not include VAT. Instead you will have to charge yourself the VAT on supplies from subcontractors and include that VAT in your VAT return.

As a subcontractor - you should no longer include VAT in the amount you charge to your principal contractors. The operation of VAT on other services will be unchanged.

Example:

For example, if you carry out construction services for a principal contractor for which you charge €5,000 and receive services from a subcontractor for which you are charged €1,000, (both amounts not including VAT), **from September/October 2008**

- The principal contractor should account to Revenue for the VAT on the €5,000 – you should not include it in your invoice or in your VAT return.
- You should calculate the VAT on the invoice from your subcontractor (generally €1,000 x 13.5% = €135) and account for 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.

A principal contractor is any customer who is obliged to deduct RCT @35% from payments or who holds a Relevant Payments Card (RCT 47) for the person providing the construction services.

A more detailed information leaflet is available on 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

Yours faithfully,
