

**SAMPLE**

**Re: VAT - Important information for public bodies that are 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. This will have major implications for all Government Departments, Local Authorities and Public bodies who are regarded as principal contractors for the purposes of Relevant Contracts Tax (RCT).**

**What is the change?**

From 1 September 2008 as a principal contractor, you must be registered for VAT. Any invoices issued by your subcontractors from that date for construction services should be net of VAT. Instead you will have to charge yourself the VAT on supplies from such subcontractors and include that VAT in your VAT return.

**Example**

For example, if in September 2008, you receive construction services for which a subcontractor charges you €m (VAT not included):

- The subcontractor should invoice you for €m (VAT not included)
- You should pay the subcontractor €m, less RCT €350,000, unless you hold a Relevant Payments Card
- You should calculate the VAT (generally €m x 13.5% = €35,000) and pay this VAT directly to Revenue through your VAT return.

You will need to ensure that your records and accounting systems can deal with the new system. It would be advisable to contact your software provider as soon as possible in this regard.

Please see the enclosed leaflet that is issuing to all principal contractors and subcontractors. A more detailed information leaflet and FAQs are available on [www.revenue.ie](http://www.revenue.ie) or you can contact your Revenue office for further information.

*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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