

Reform of RCT (Relevant Contracts Tax)

As announced in the Budget 2011, Revenue are streamlining and modernising the RCT system. The new system will involve replacement of the current RCT rate of 35% with a two-rate withholding system.

In summary this new system will involve the following:

- A 20% rate for subcontractors registered for tax with an *established compliance record. However, it is not yet clear how “an established compliance record” will be measured,
- A 35% rate for subcontractors who do not qualify for the 20% rate e.g. not registered for tax.
- The abolition of the monthly repayment system and replacement with an offset system, as opposed to obtaining periodic repayments, and
- A move to an e-based system for RCT Principles which will enhance efficiencies within the system.

By introducing a new withholding tax rate of 20%, for subcontractors registered for tax with an established compliance record, this will be a welcome cash flow boost to struggling subcontractors who will have an additional 15% freed up for reinvestment in their business.

More robust reporting requirements for principals are also proposed to boost tax compliance.

Date of intended effect of these changes is yet to be provided and further details regarding these RCT proposals are likely to emerge in the finance bill.

Disclaimer:

The object of this article is to provide useful tips in relation to Irish Tax Regulations according it cannot be regarded as a definitive guide and no liability can be accepted in respect of decisions taken in reliance on the information herein contained.