

SUBCONTRACTOR OR EMPLOYEE

Are you a newly self employed person? The transition from an employee to self employment can be daunting but we can guide you through this process.

As a new subcontractor you will need to register for all appropriate taxes such as:

- Income Tax – File income tax return (Form 11) annually before October 31st.
- PAYE – As an employer you will need to file monthly P30 returns.
- VAT – If you exceed the VAT threshold of €37,500 for the supply of services.

Subcontractor checklist:

Have you completed a Form RCT 1 jointly with the principal contractor?

If you are an uncertified contractor (do not hold a C2 card), the principal contractor is required to deduct 35% of your payment and submit to Revenue. In this case have you:

- Received a RCT Deduction Certificate (RCTDC)?
- Included the gross payment (net received and RCT deducted) in your Income Tax calculation?
- Sent Forms RCTDC to Revenue for offset against tax liabilities or to obtain a refund of tax?

Before entering into a contract with a principal contractor, you should examine the Code of Practice on determining the Employment or Self Employment status and satisfy yourself that the contract which you propose to enter into is not a contract of employment.

To follow is an extract of some of the facts one should consider:

Facts that would normally indicate a person is an Employee if they:

- Are under the control of another person who directs how, when and where the work is carried out.
- Supply labour only.
- Cannot sub-contract the work.
- Receive a fixed hourly/weekly/monthly wage.
- Work for one person or for one business only.

Facts that would normally indicate a person is Self Employed if they:

- Are exposed to financial risk, by having to bear the cost of making good faulty or substandard work carried out under the contract.
- Cost and agree a price for the job.
- Can provide the same services to more than one person or business at the same time.
- Have a fixed place of business where materials, equipment etc are stored.

The fact that a person is registered as a self employed person for self assessment tax purposes, or for Value Added Tax, does not automatically mean that a person is self employed.

As an employee, a person is a Class A PRSI contributor and as a self employed subcontractor, you are a Class S contributor. A sample of your entitlement to social welfare under each class is as follows:

	<u>PRSI Class</u>			<u>PRSI Class</u>	
	<u>A</u>	<u>S</u>		<u>A</u>	<u>S</u>
Jobseekers Benefit	Yes	No	Carers Benefit	Yes	No
Illness Benefit	Yes	No	Bereavement Grant	Yes	Yes
Maternity Benefit	Yes	Yes	Adoptive Benefit	Yes	Yes
State Pension (Transition)	Yes	No	Widow Pension (Contributory)	Yes	Yes
State Pension (Contributory)	Yes	Yes	Guardian Payment (Contributory)	Yes	Yes

Disclaimer:

The object of this article is to provide useful tips in relation to Irish Tax Regulations, accordingly 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.