



# RCT-Management Construction and assembly withholding tax in Ireland

Those who pay should check -  
before it becomes expensive.

**ICON.**

ICON Wirtschaftstreuhand GmbH

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Guide for companies



# Relevant Contracts Tax (RCT) and how is it applied?

The **Relevant Contracts Tax (RCT)** introduced by the Irish Revenue Commissioners is a mandatory withholding **tax procedure** that applies to payments made to **subcontractors in connection with certain construction services**. In addition to the traditional construction sector, it also applies to areas such as telecommunications, forestry, and meat production.

The aim of the RCT is to ensure proper tax collection from all companies operating in the industry. Regardless of whether they are Irish or foreign companies, there is therefore a need for action.

Unlike other types of tax, RCT relates to the **contractual relationship**. For each relevant contract and each payment made under it, the main contractor must submit a contract **notification and advance payment notification** electronically to the Irish Revenue Commissioners **before the payment is made**. Compliance with RCT requirements is mandatory.

Late or missing reports may result in **penalties and interest charges**.

Depending on the subcontractor's tax classification by Revenue, the following deduction rates apply:

- **0%** – for exemption – “gross payment status”
- **20%** – standard rate
- **35%** – e.g., for missing Irish tax number

Since not every construction project automatically falls under the RCT, it is necessary to check whether there is an **RCT obligation before making any payment**.

This guide provides a concise overview of the key features of the RCT, the distinction between main contractors and subcontractors, and the most important obligations in terms of tax processing.

Are you working on a construction or assembly project in Ireland and faced with Irish construction withholding tax (“RCT”)? **Are you RCT compliant?**

Our experts will be happy to assist you with registration, reporting, and applying for a refund of the construction withholding tax, and will advise you in advance whether the service in question is subject to construction withholding tax. This means we can help you ensure your RCT compliance.

## How does ICON support you in this?



**We represent you in dealings with the Irish Revenue Commissioners**



**We carry out the registration**



**We ensure that deadlines are met**

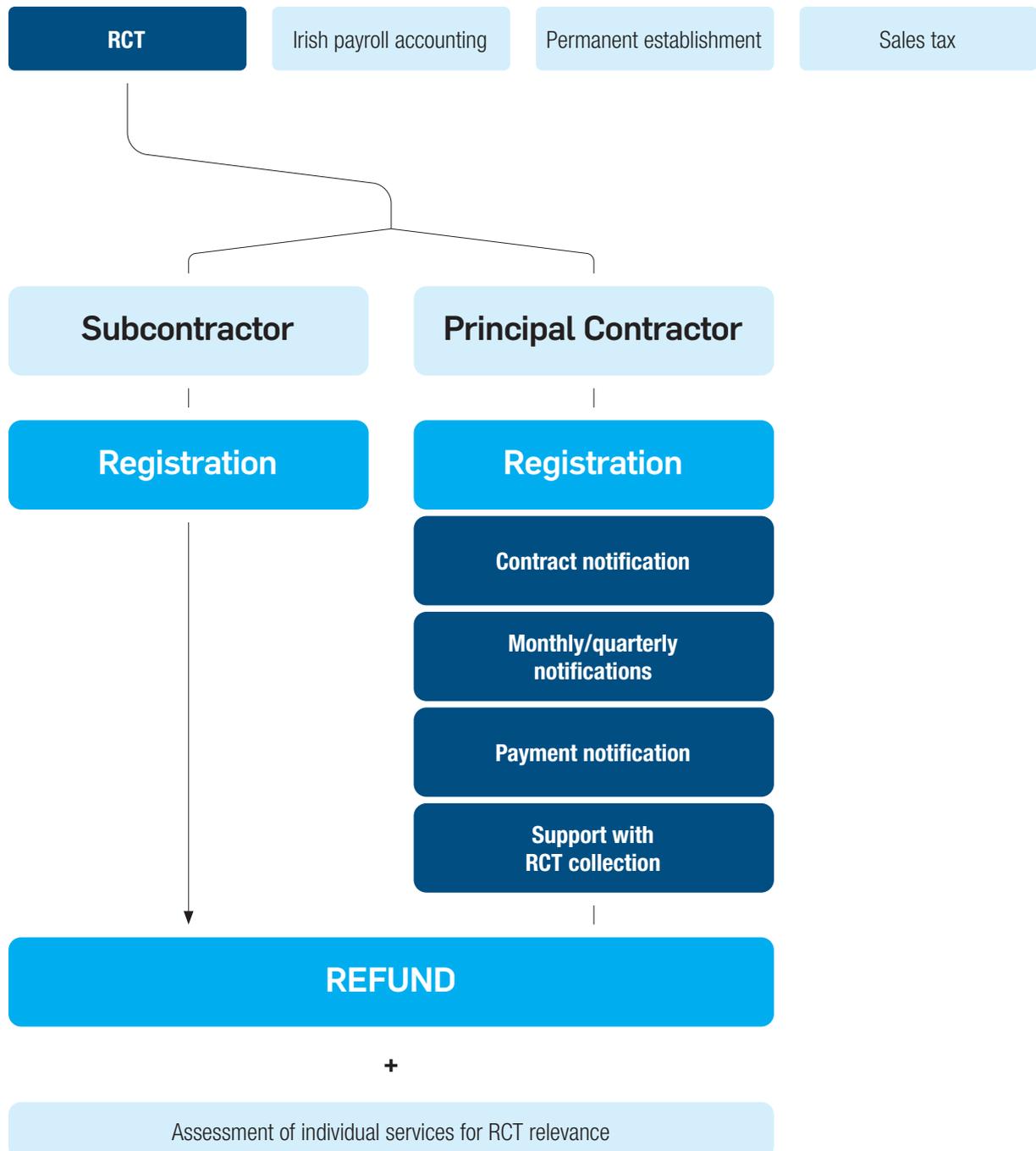


**We submit the monthly/quarterly returns on your behalf**

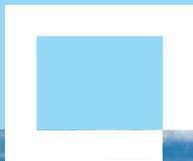
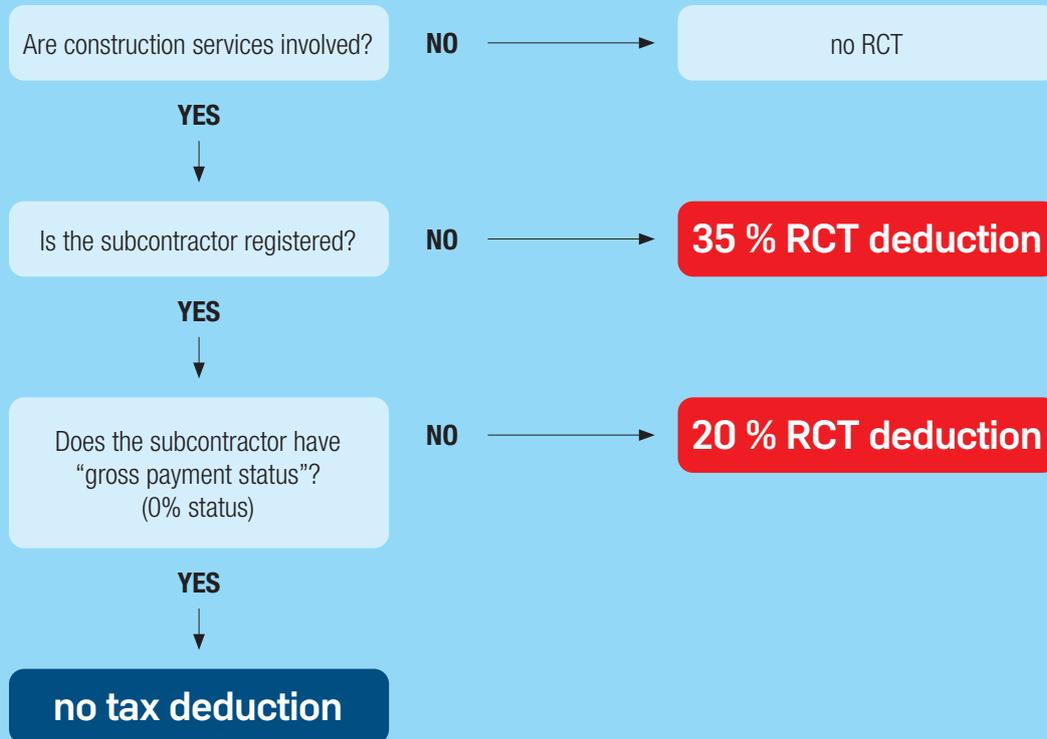


**We assist you with refunds**

# RCT service packages



# Quick check / RCT deduction





## For which contracts is the tax relevant?

**The Relevant Contracts Tax applies to payments made by a principal contractor to a subcontractor, provided that this is done within the framework of a Relevant Contract.**

The fields of activity covered are: **Construction Operations**, **Forestry Operations**, and **Meat Processing Operations**. In the area of construction operations, the withholding tax applies to companies that commission other companies or are themselves commissioned to carry out construction and assembly work in Ireland, regardless of whether they are based there or not. This includes construction and assembly work in the course of the manufacture, repair, maintenance, alteration, or demolition of buildings.

**The term “construction work” in Irish law is broadly defined. Construction work in the “Irish” sense includes, among other things:**

- Construction, conversion, repair, extension, demolition, or dismantling of buildings or structures
- Construction, alteration, repair, extension, or demolition of walls, road works, power lines, telecommunications facilities, docks and ports, railways, pipelines, reservoirs, water pipes, sewers, and industrial facilities
- the installation, modification, or repair of heating, lighting, air conditioning, soundproofing, ventilation, power supply, drainage, sanitary, water supply, burglar alarm, or fire protection systems in buildings or structures
- the installation, modification, or repair of telecommunications systems in or on buildings or structures
- the external cleaning of buildings (with the exception of the cleaning of parts of buildings as part of normal maintenance) or the internal cleaning of buildings and structures, insofar as this is carried out in the course of their construction, alteration, extension, repair, or restoration
- Work that forms an integral part of the work described in the preceding paragraphs, prepares it, or serves to complete it, including clearing the construction site, earthworks, excavation work, tunneling and drilling, foundation work, **scaffolding**, restoration of the construction site, landscaping, and the construction of roads and other access routes. This also includes the rental of construction machinery with operating personnel.
- The **transportation of materials**, machinery, or equipment for use, whether or not they are used, in any of the construction activities mentioned in the previous paragraphs.

In each **individual case**, it must be examined whether the work performed falls under “construction or assembly work” within the meaning of the RCT.

If the company is subject to the RCT deduction obligation, an RCT withholding tax must be deducted from the invoice amount and paid to the Irish Revenue Commissioners, depending on the status of the subcontractor. **RCT registration** can reduce or avoid the **tax deduction for subcontractors**.

The following section discusses the obligations of subcontractors and general contractors in more detail and explains how RCT can be avoided.



# What does RCT mean?

## 1. Subcontractor

Subcontractors perform services for a general contractor, also known as a principal contractor. If these services are performed in the form of construction or assembly work in Ireland, they are generally subject to RCT. The prerequisite is that it is not an employment contract and that the client is considered a principal contractor within the meaning of the RCT. The tax deduction rules depend on whether the subcontractor is registered with Revenue and whether they therefore have a valid tax reference number (TRN).

**There are three different tax deduction rules that may apply:**



### No tax deduction

In this case, the subcontractor must register for RCT. In addition, the subcontractor must prove that it has complied with all tax record-keeping, reporting, and payment obligations in its country of residence over the past three years. If the company is granted 0% status, no tax deduction is required.



### Tax deduction of 20%

This is applied if the subcontractor has a valid tax registration number (TRN) but does not meet the requirements regarding proof of recording, reporting, and payment obligations. In this case, the principal contractor deducts 20% tax from the invoiced amount when paying the subcontractor. The tax deduction is paid to the Irish tax authorities.



### 35% tax deduction

This applies if the subcontractor cannot provide a tax registration number (TRN). In this case, the principal contractor must deduct 35% of the invoice amount from RCT and pay it to the Irish tax authorities.

In order to avoid tax deductions, RCT registration should be completed in good time (processing time approx. 2 months) before the start of construction or assembly work. Once valid registration has been completed, the subcontractor will be assigned a 7-digit Irish tax number, if one does not already exist. This number must then be communicated to the client.

In the case of a resident subcontractor, any tax deductions made are credited to the subcontractor's tax account and offset against outstanding and due tax liabilities from income tax, corporation tax, or sales tax. If there are no outstanding tax liabilities (because, for example, only an RCT registration exists) or if the subcontractor is not resident in Ireland, refund requests can be submitted during the year. If there are no outstanding tax liabilities (for example, because only an RCT registration exists) or if the subcontractor is not resident in Ireland, refund applications can be made during the year. If a 20% RCT deduction has been made, this can be refunded. A deduction of 35% can also be refunded after the subcontractor concerned has registered for RCT.

## 2. Principal Contractor

The principal contractor must also register with the RCT. If the principal contractor's client is also considered a principal contractor within the meaning of the RCT, they have a dual role as principal contractor and subcontractor. Consequently, the explanations provided on the previous page must also be taken into account.

After registering with the RCT, the principal contractor must take the following steps:

- **Check** whether the contract with the subcontractor falls under the RCT.
- **Contract notification:**  
The contract with the subcontractor subject to the RCT must be notified to the Irish Revenue Commissioners. A site identifier number is assigned to the construction site.
- **Payment notification:**  
Before a payment is made to the subcontractor, Revenue must be informed of the payment amount and the planned date of payment. Revenue then issues a deduction authorization stating the amount of tax to be withheld (depending on the status of the subcontractor). The subcontractor needs these notifications for the refund.
- **Monthly/quarterly RCT reporting:**  
The principal contractor is required to submit a monthly/quarterly report to Revenue on payments made in the previous month/quarter, regardless of whether tax was deducted, to its own subcontractors. In months in which no payments were made to subcontractors, a zero report must be submitted. The reports must be received by Revenue by the 23rd of the following month at the latest and, if tax deductions have been made, must also be paid. RCT payments are usually made by direct debit.



## 3. Further tax risks

Irish corporation liable for tax due to exceeding the permanent establishment period?

Irish payroll tax liability for posted workers due to the establishment of a permanent establishment?

Irish income tax liability for posted workers exceeding 183 days?

Should the order be invoiced with or without Irish sales tax?

Please do not hesitate to contact us if you have any questions!



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