



Significant yields from RCT Revenue audits ensure that Revenue will continue its focus on the construction sector in 2009. Bearing this in mind, if you're a principal contractor are you satisfied that you are fully compliant with the ever changing RCT requirements? If not, we can provide the required expertise and assistance to ensure your RCT obligations are met.

Relevant Contracts Tax (RCT) - are you next on Revenue's audit list?

RCT audits - Revenue's golden goose!!

For principal contractors, failure to comply with the RCT regulations can be very expensive. The principal contractor will be liable to Revenue for 35% of the payment made to the subcontractor along with interest and penalties.

Revenue audits involving RCT have in recent times generated significant revenue for the Exchequer and will continue to do so if taxpayers do not exercise caution in the administration of this regime.

Revenue carried out 3,807 audits in the construction sector in 2007 yielding €129.6 million, with a further 40,161 assurance checks yielding €21.8m - a total yield of €151.4m. The construction sector accounted for 27% of Revenue audit numbers and 19% of Revenue audit yield in 2007. Revenue propose to "strengthen the RCT system" going forward.

Key RCT risk areas

A number of RCT changes were introduced in Finance Act 2008, Revenue ebriefs and new regulations. With the ever changing RCT regulations, all individuals and companies who are engaging subcontractors should consider whether they are regarded as a principal contractor for RCT purposes.

The main risk areas are as follows:

- ▶ Companies/individuals not realising that they are principal contractors.
- ▶ Gross payments being made by a principal to unregistered subcontractors.
- ▶ Gross payments being made by a principal to a registered subcontractor (with a C2 card) while not in possession of a valid relevant payments card in respect of that subcontractor.
- ▶ Cumulative payments made in a tax year by a principal to a subcontractor in excess of the monetary limit on the subcontractor's relevant payments card.

- ▶ Gross payments being made by a principal to a supplier and not realising that the supplier's supply comes within the ever increasing scope of RCT.
- ▶ Not maintaining adequate RCT records i.e. Form RCT1 etc.
- ▶ Incorrect characterisation of employees as self-employed in the construction sector.

How can Ernst & Young assist?

At Ernst & Young we have a specialist RCT team that can carry out an efficient and effective 'health check' of your RCT compliance status.

Our team has extensive experience in negotiating with Revenue with regard to minimising settlements in the event of a taxpayer making a disclosure to Revenue following a 'health check' or indeed as a result of the taxpayer being selected for an audit.

The benefits of having a RCT 'health check' include:

- ▶ Identifying and assessing potential RCT exposures thereby allowing issues to be rectified and resolved appropriately by voluntary disclosure if required.
- ▶ The fact that a 'health check' carried out by a specialist RCT advisor should reduce the follow-up Revenue queries in the event of a disclosure being made to Revenue.
- ▶ Availing of opportunities to self correct RCT returns and thus minimising the cost where appropriate.
- ▶ Ensuring your RCT requirements are met and thereby avoiding the risk of suffering severe interest, penalties and publication in the event of a Revenue audit.
- ▶ Putting appropriate procedures in place to ensure RCT requirements are met going forward.

Don't wait until its too late - act now

If you would like to arrange a preliminary discussion or require further information please contact any of our RCT specialists listed below.

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