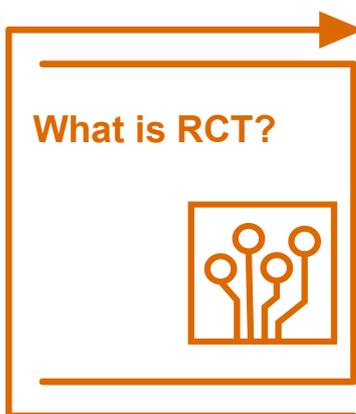




www.pwc.ie/rct

Companies operating in the telecom sector should consider their obligation to register and operate Relevant Contracts Tax “RCT” in relation to payments made to subcontractors.

Given the broad scope of RCT, it is important that companies in the telecom sector are aware of when RCT should be operated, and have adequate controls and processes in place to manage RCT compliance.



RCT is a withholding tax that applies to certain payments made to subcontractors operating in certain industries, including the telecommunications industry.

There are three deduction rates, 0%, 20% and 35%, with the rate dependant on the tax compliance position of the contractor engaged. Payments to subcontractors for works within the scope of RCT must be notified to Revenue in advance, and RCT withheld at the rate authorised by Revenue.

Why are telecom companies obliged to operate RCT?

For RCT to apply, the person making the payment must be a “Principal Contractor”, as defined in legislation.

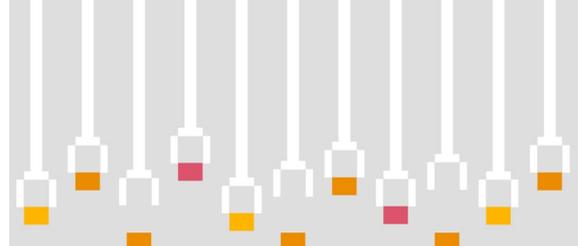
Companies operating within the telecom sector who carry out the installation, alteration or repair in or on any building or structure of systems of telecommunications are Principal Contractors.

Such companies therefore have an obligation to operate RCT on payments made to subcontractors for works falling within the definition of “construction operations”.

This is a broad definition and includes works relating to telecom apparatus (such as masts, underground cabling) and also includes the installation, alteration or repair of telecommunications systems.

Systems of telecommunications covers systems that facilitate two-way communication by phone, whether mobile, landline or via the internet.

Telecommunication companies not only have an obligation to operate RCT on contractors engaged to carry out telecommunication works, but also on payments made to any other contractors engaged to carry out other construction works.



What are the common pitfalls for companies operating in this sector?

In our experience, most RCT penalties arise for companies operating in the telecom sector due to a failure to recognise when an obligation to operate RCT exists.

Most commonly, this is because of:

- telecom companies not being aware that they are “Principal Contractors” and have an obligation to operate RCT;
- Procurement not being aware of RCT rules – Failure to recognise that a contract is within the scope of RCT at the time that a contract is entered into;
- Failure to recognise the broad scope of works within the scope of RCT - For example, failure to recognise that ongoing works to own premises are within the scope of RCT.

Subcontractor considerations:

Companies contracted within the telecom sector may suffer RCT on any payments they receive from their customer.

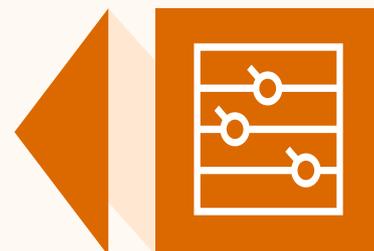
Where RCT is withheld on payments made to a subcontractor, this RCT is available for offset against any other tax liabilities arising.

Alternatively a company can receive payments gross (without deduction of RCT), if they obtain a 0% RCT rate. The company must have an exemplary history of tax compliance in order to secure a 0% RCT rate.

It is important to remember that if a contractor sub-contracts work, they may have an obligation to operate RCT on payments for work subcontracted.

Companies that do not operate RCT correctly may be faced with costly RCT settlements. As such, it is important that the relevant stakeholders within an organisation have the skills needed to manage RCT.

If your business operates in the telecom sector and you would like to consider RCT further, please contact any member of the RCT team or your usual PwC Ireland contact.



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