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## Integra and VAT Reverse Charging Ireland - 1st September 2008



**The Revenue Commissioners in Ireland introduced regulations to cater for the collection and payment of VAT in the case of transactions between principal contractors, and sub-contractors in the construction industry.**

The VAT Reverse Charge regulation is applicable from 1 September 2008 and generally affects those in the construction sector to whom Relevant Contracts Tax (RCT) applies.

More specifically, it affects the following:

- Principal contractors and sub-contractors involved in construction operations to whom Relevant Contracts Tax (RCT) applies;
- Principal contractors who hold a Relevant Payments Card (RCT 47) for a sub-contractor;
- Public bodies, including Local Authorities, who receive construction services, and who will be deemed to be principal contractors for RCT purposes;
- Persons who contract to provide construction services to public bodies, including to local authorities and who will be deemed to be sub-contractors for RCT purposes.

Pre September 2008, invoices submitted by sub-contractors are inclusive of VAT. The entire VAT inclusive amount is paid by the principal contractor and responsibility for passing on the VAT rests with the sub-contractor.

From 1st September 2008 it will be the principal contractor who will be responsible for calculating and charging VAT, and ensuring it is paid to the Revenue Commissioners.

The principal contractor may be able to claim a deduction for this VAT on the VAT Return.

### What is the Impact of the Changes on Integra?

Many principal contractors, such as Local Authorities, Government Departments and boards established under statute, are not entitled to VAT credits. These bodies may go from a position of having no VAT liability to having a very significant VAT liability. This represents VAT that would previously be charged by sub-contractors and paid to them. These bodies must also register for VAT if they are not already registered.

Heretofore processing invoices was relatively straightforward. The procedures will change following the introduction of the new VAT changes.

### How does Integra Help?

The system can be configured to

- Indicate the items that are subject to the new changes;
- Post the adjustments for any non-recoverable VAT to the expenditure accounts associated with the Invoice /Credit Note;
- Create the VAT Liability;
- Facilitate the payment of the VAT liability to the Revenue Commissioners.

The functionality is provided as part of our regular continuous enhancements and ensures our clients comply with statutory changes.

### About iSOFT Business Solutions

iSOFT Business Solutions, part of the iSOFT Group, is a market leader in providing world-class integrated business software solutions to service centric organisations. With a product and services portfolio of outstanding depth, its offerings extend from eProcurement and bespoke solutions to enterprise wide financial management solutions, which provide efficiencies across the entire organisation.

iSOFT Business Solutions has a presence in all key markets across UK, Ireland, Hong Kong and Australia, with infrastructure services extending coverage to approximately 35 countries worldwide. Leveraging the strengths, innovation and global reach of its parent company, iSOFT Business Solutions ensures it meets the needs of its customers, which include large organisations, small and medium enterprises, not for profit and public sector organisations.

iSOFT Business Solutions help customers achieve results and business objectives by identifying mission critical issues and implementing innovative & customised solutions designed to generate revenue, reduce costs and fast access to management information.

With over 30 years experience, iSOFT Business Solutions unparalleled ability to successfully deliver improved processes is achieved by understanding its customers unique needs and the capability to deliver automated systems through the use of technology, including; web access, custom development, workflow, business intelligence and document management to help customers increase margins and improve cash flow.

iSOFT Business Solutions employs more than 100 professional people, serving over 500 customers including; Hartlepool Borough Council, ITN, London Ambulance, Medway NHS Foundation Trust, Northern Ireland Office, Police Service for Northern Ireland and UNISON.

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### Examples of construction service invoices pre and post VAT changes on 1st September 2008 – RCT is deductible @ 35% and VAT @ 13.5%

	Up to 01/09/2008	From 01/09/2008
Sub-contractor's Invoice	Sub-contractor charges VAT to the principal contractor and pays the VAT to the Revenue Commissioners.	Subcontractors does not charge VAT but invoice must contain the statement: "VAT on this supply to be accounted for by the principal contractor"
Invoice amount	100.00	100.00
VAT	13.50	0
Total	113.50	100.00
Principal Contractor's Responsibilities	<ol style="list-style-type: none"> <li>1. Post invoice amount of 113.50 to expenditure;</li> <li>2. Pay 73.78 to subcontractor;</li> <li>3. Pay RCT of 39.72 to Revenue Commissioners.</li> </ol>	<ol style="list-style-type: none"> <li>1. Post invoice amount of 100.00 to expenditure;</li> <li>2. Pay 65.00 to subcontractor;</li> <li>3. Pay RCT of 35.00 to Revenue Commissioners,</li> <li>4. Create a 13.50 VAT liability;</li> <li>5. Post VAT to the expenditure on the invoice (assuming no entitlement to VAT credits)</li> <li>6. At the end of the VAT reporting period, record and pay the VAT liability to the Revenue Commissioners via the VAT 3 form.</li> </ol>

Further details on this legislative change are available at [www.revenue.ie](http://www.revenue.ie).

The new procedures described above, also facilitates UK Reverse Charging of VAT on mobile phones and other VAT Reverse Charging for foreign purchases.

Please contact iSOFT Business Solutions in you local office if you require further advice on configuring Integra to accommodate the new VAT rules.