

This technical query paper was submitted to Revenue in advance of the meeting of the TALC Direct and Capital Taxes Sub-Committee Meeting on 11 September 2025 and discussed at that TALC meeting. The discussions are reflected in the Minutes of the September 2025 TALC meeting. Revenue responded to the queries raised by the Institute on 17 November 2025, and this response will be added as an appendix to the Minutes of the TALC Direct and Capital Taxes Sub-Committee Meeting of 27 November 2025.



### Application of RCT to Mixed Contracts

At the meeting of the TALC Direct/Capital Taxes Sub-committee on 26 June, the Institute requested clarification on the application of RCT to a contract which includes both construction operations and other activities or supplies that would not be considered relevant operations (i.e., mixed contracts). Revenue confirmed RCT should not apply to the whole consideration and noted the position has been clarified in the updated Tax and Duty Manual (TDM) Part 18-02-01, Relevant Contracts Tax: Relevant Operations, which was published on 24 June. The updated TDM Part 18-02-01 states that *“Where a contract provides for both construction services and the supply of land, only the construction services provided for in the contract are subject to RCT.”*

It is clear from discussions at the June meeting that there remains misalignment between Revenue and practitioners on the long established practice regarding the application of RCT to mixed contracts. The operation of RCT on a full contract basis has been firmly established for many years. This approach is supported by longstanding Revenue guidance, such as the now archived Guidance Note for Boards of Management Relevant Contracts Tax/Value Added Tax (Boards of Management Guidance Note), and Revenue's approach in compliance interventions.

Notably, on four separate occasions in the Board of Management Guidance Note it is confirmed that “*Where any part of a contract is for relevant operations then the contract as a whole is a relevant contract and all payments under that contract are liable for RCT*”. In addition, the consistent feedback we have received from our members is that where there is a mixed contract, Revenue expect RCT to be operated on the full value of the contract including non-relevant operations.

### **Legislation and Revenue guidance**

In our view Revenue’s approach to date to mixed contracts has a basis in the legislation which underpins the operation of RCT. A ‘relevant payment’ is defined in section 530 TCA 1997 as a payment made by a principal in respect of a ‘relevant contract’, which is also defined later in section 530. Sections 530B and 530C TCA 1997 address the requirement to notify the particulars of the relevant contract to Revenue, and to notify the relevant payment to Revenue, respectively.

There is no reference in these sections to notifying the value of the payments which refer to ‘relevant operations’ only, where a contract includes both ‘relevant operations’ and other activities or supplies (i.e., non-relevant operations). Rather, the legislation requires (a) the contract value to be notified, and (b) the payment value of a payment to be made under that contract to be notified. It does not state that a payment notification relates to a payment for relevant operations (only).

If Revenue’s view was that only relevant operations within a contract were subject to RCT, it would have been expected that this would be clearly specified in the Revenue guidance that was in place for many years.

Paragraph 3.1 of the updated TDM Part 18-02-01 outlines the definition of construction operations and sets out the types of works that are within the scope of RCT and therefore considered construction operations. This paragraph states that *“Contracts for repair work or for repair **and** maintenance would be included but not contracts for maintenance only.”* This would appear to suggest that the full contract for repair and maintenance operations is within scope of RCT and mirrors Revenue practice for many years.

The updated TDM includes further references to RCT applying to the full contract value under mixed contracts. For example, paragraph 3.1(e) of the TDM sets out Revenue’s guidance on the RCT treatment of site investigation operations. It states, *“Where there is a significant amount of fieldwork (i.e. drilling, excavation etc) involved and the activity is integral, or preparatory, to the construction operation then RCT charge will apply to the full consideration where a single invoice is issued for the fieldwork and professional services.”* These comments clearly indicate that a contract for the provision of both relevant and non-relevant operations is considered a relevant contract. The guidance does not refer to any split of consideration being required between relevant and non-relevant operations, rather it specifically states that RCT procedures must be operated on the “full consideration” for both relevant and non-relevant operations.

We consider the view now being articulated by Revenue in the updated TDM is a departure from Revenue practice and guidance to date in the area of mixed contracts. This change in approach will have a significant impact in terms of how principal contractors track and operate RCT on their payment runs going forward, potentially giving rise to additional administration and changes required to existing controls and processes that have been in place for many years.

### **Feedback regarding Revenue practice in relation to mixed contracts**

As outlined at the meeting of the TALC Direct/Capital Taxes TALC Sub-committee on 26 June, the feedback we have received is that the position set out in the updated TDM is a fundamental change in the Revenue position and does not align with the approach which has been adopted by Revenue in compliance interventions nor does it align with opinions issued by RLS on this issue. To illustrate this point, we have set out below a number of examples which we received from members regarding their recent interactions with Revenue on RCT issues.

- Quarter 2 2025: In a RCT compliance intervention concerning a turnkey acquisition which was settled in Quarter 2 2025 significant RCT penalties were applied on the basis that RCT should apply to both the supply of land and the construction operations where provided for within one single contract. At no point during the course of the intervention did Revenue express the view that where a contract provides for both the supply of land and the provision of construction operations for a single contract price, that the supply of land was not within scope of RCT and the consideration should be apportioned. In light of the updated TDM and the commentary from TALC, it would appear Revenue incorrectly sought significant RCT penalties in error on this case.
- June 2025: Revenue sought RCT penalties in respect of a combined contract for sale and building agreement for a turnkey acquisition. This penalty was applied to the full contract value and not just the element related to construction operations. Furthermore, there was no commentary from Revenue on splitting consideration or expectation/requirement for same.
- July 2025: Revenue advised a taxpayer that if asset management fees are in the same contract as a contract for construction, repair and maintenance, those payments would come within the scope of RCT.

#### Conditional contracts

While the updated TDM addresses the scenario of a single contract that provides for both the supply of land and construction operations, the TDM does not address the common scenario where a contract for sale for the supply of land is executed which is dependent on the execution of a building agreement for construction services and without same the contract for sale would be rescinded.

We understand that opinions have been received from Revenue's RLS section on such matters advising that while separately executed, considering both agreements are dependent on each other for execution, they are considered to be a combined agreement and as such RCT procedures are required to be operated on payments made under both the contract for sale and building agreement.

### **Apportionment of consideration**

The updated TDM states *"Where the contract provides for a single consideration to cover both the construction services and the sale of the land, then, in order to determine the amount applicable to the construction services, the consideration needs to be apportioned by the principal."*

This is a fundamental change in Revenue practice to date and the guidance is silent on Revenue's expectations of how this task should be managed. Where there is one contract that covers the supply for land and development works, to ensure RCT is operated correctly it will be important for principal contractors to understand how best to split the consideration between the site element (not subject to RCT and subject to VAT in the normal way) and the development works element (subject to RCT and reverse charge VAT). It would be helpful if Revenue could provide guidance on this aspect.

**Guidance in Boards of Management Guidance Note which is omitted from the updated TDM**  
**Part 18-02-01**

Given the TDM is technical in nature, the Boards of Management Guidance Note was a key resource for principal contractors providing valuable step-by-step instructions, FAQs, and real day-to-day principles/examples. Our members are aware of many clients who rely on the Boards of Management Guidance Note as a key guide in understanding their RCT obligations.

In light of this, it was very disappointing to learn at the June TALC Direct/Capital Taxes TALC Sub-committee meeting that Revenue has taken the decision to archive the Boards of Management Guidance Note. As the archiving of the Boards of Management Guidance Note had not previously been signaled by Revenue, it is possible that some principal contractors continue to rely on it. Indeed, we would note that the Boards of Management Guidance Note continues to be available the website of the [Financial Support Services Unit](#) of the Department of Education and Youth which provides advice and support to schools on financial governance.

The Boards of Management Guidance Note contained a wealth of practical, scenario-based, and sector-specific content that is not replicated in the updated TDM 18-02-01. The updated TDM, while comprehensive in its legal and technical coverage, lacks the accessible, user-focused guidance, detailed examples, and FAQs that were invaluable to Boards of Management and indeed all principal contractors and subcontractors. We consider that the omission of this content will lead to confusion, increased compliance risk, and a greater administrative burden for non-tax specialist users, particularly in the education and public sector.

In our view, it is important certain key aspects of the Boards of Management Guidance Note, which we have identified below, continues to be made available to taxpayers. One approach could be for the content to be included as an Appendix to the TDM.

- **Mixed Contracts and VAT reverse charge:** The Boards of Management Guidance Note provided both comprehensive and practical explanations as to what is considered a mixed contract for RCT purposes including various sample scenarios. It also included detailed VAT reverse charge guidance including calculations and sample scenarios for mixed contracts, invoicing, and non-resident/non-VAT registered subcontractors.
- **FAQ and scenario-based guidance:** The Boards of Management Guidance Note included practical compliance advice, extensive FAQ and scenario-based guidance, including sector-specific examples and nuanced distinctions between repairs, maintenance, alterations, fixtures, and fittings.
- **Sector-specific guidance:** The Boards of Management Guidance Note included sector-specific and nuanced guidance, in particular for schools and similar bodies such as the impact of tax clearance certificates on RCT/VAT obligations.

## Conclusion

If Revenue's position is that RCT should only be operated on payments in scope of the definition of relevant operations and that the consideration in respect of mixed contracts must be apportioned, we believe the following points need to be addressed by Revenue as a matter of urgency:

- Although there has been no change in the underlying legislation, it is clear to the Institute from feedback received from members and from the Boards of Management Guidance Note that Revenue's practice regarding mixed contracts has changed. In these circumstances, we consider it would be appropriate for a prospective date to be applied to the changed Revenue approach to the application of RCT to mixed contracts.
- Revenue should proactively engage with principals and subcontractors regarding these important changes given the significant penalties that could apply where there is unintentional non-compliance.
- It is important that there is clear communication of the updated position across Revenue's operational divisions to ensure there is consistency in the RCT treatment of mixed contracts.
- Guidance should be provided in TDM Part 18-02-01 regarding the practical issues associated with apportioning consideration where one single fixed contract price is in place.

In addition, consideration should be given to the requirement for an amendment to the RCT legislation to remove the ambiguity that exists.