

This technical query paper was submitted to Revenue on 25 February 2026 via the TALC Direct/Capital Taxes sub-committee. The technical query paper was discussed at meetings of the TALC Direct/Capital Taxes sub-committee in February and April 2026. The discussions will be reflected in the Minutes.

Revenue provided a written response to this technical query paper on 17 April 2026 and the response is included below as an appendix.



Queries re Tax and Duty Manual Part 18-02-01 –

Relevant Contracts Tax: Relevant Operations

25 February 2026

Clarification regarding onus of apportionment

1. The TDM places the onus on the Principal Contractor to decide on apportionments between goods and installation. Given that the invoicing (with or without VAT) comes first, the likelihood is that the subcontractor is best positioned to identify what that subcontractor would charge for each element of the price. Most contracts are agreed for a single price without a detailed breakdown negotiated between the various elements. Is Revenue satisfied for the Principal Contractor to rely on the position adopted by the subcontractor in its invoicing for VAT purposes? How can it take a different position if it has no reverse charge invoice to match that position?

For example, if a principal errs on the cautious side (and aligning with the approach which has been required for many years by Revenue) and wants to account for RCT on the full payment, how does this impact VAT if the subcontractor had taken a different view of the split and had charged VAT on

an element of the contract? The subcontractor will not have reverse-charged its invoice.

The opposite scenario could also arise where a subcontractor reverse-charges the full amount of an invoice on the basis it represents an invoice for construction services, yet the principal contractor wishes to account for RCT and reverse charge on a smaller amount.

Given that the subcontractor may not have separately priced for services in scope of RCT and materials, as this may be considered commercially sensitive by the subcontractor, is Revenue satisfied that the Principal Contractor can accept the invoicing split raised by the subcontractor, given it will not be in a position to audit the underlying costs to determine the correct split.

Effective date

2. From when is/ was the updated TDM effective given that principal contractors and subcontractors historically will likely have adopted a different position from that contained in the newly updated TDM?

We have set out in previous comments to TALC Direct Taxes/Capital Taxes Subcommittee in September 2025 that the RCT legislation and Revenue's previously published guidance does not align with the approach now stated in the updated Revenue guidance (TDM Part 18-02-01). Revenue has set out in the new updates to the guidance various circumstances in which it views that an apportionment should be applied.

Given the departure from previous guidance, we assume Revenue is satisfied for Principal Contractors to apply the guidance to contracts and payments going forward from the date of publication of the guidance only. We also assume that that Revenue will not require payments on which RCT has been operated historically on a full contract basis to be adjusted. We note that Revenue confirmed in their response to our submission of 3 September that it is not the intention of Revenue to apply a penalty in a scenario where an

excessive amount was included on a payment notification and RCT was deducted in accordance with a payment notification.

Repair and maintenance contracts

3. Section 3.1(a) of the TDM page 4 references the definition of construction operations and it states that *“It does not include routine maintenance contracts. Contracts for repair work or for repair and maintenance would be included but not contracts for maintenance only”*. It is not clear from this statement whether Revenue intends RCT to operate on the full contract or just the portion relating to repair only. We would be grateful if clarification could be provided.

Integral activities that render complete a construction operation or are an integral part of it – application to goods including materials.

Page 5 of the TDM states:

“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. Section 16(3) VATCA 2010 provides that the supply of the construction services is subject to the VAT reverse charge. 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. RCT and the VAT reverse charge apply to the consideration for construction services. RCT and the VAT reverse charge do not apply to the consideration for the sale of the land. In every case, it is necessary to examine the actual contract in order to determine the position.

A similar position applies to other types of mixed contracts, these would include for example:

- *a contract to supply design and build services to a principal,*
- *A contract for the supply and installation of systems in a building or structure*

In both of the above examples the contract contains elements which are within the scope of RCT and elements which are not. In the first example, design work is not within the definition of construction operations in section 530 (design work depending on the facts and circumstances and who the service is supplied to may come within PSWT), however the build services are within the definition in section 530. In the second example the supply of materials is not within the definition of construction operations in section 530, however the installation work is.

Where the contract provides for a single consideration to cover both the RCT and non-RCT elements, the consideration needs to be apportioned by the principal with RCT applying to the part of the consideration relating to construction operations.”

Page 9 of the TDM states:

“A number of other activities also come within this definition. Where a new building is under construction or an existing building is being refurbished all the activities necessary to render the building complete would be considered to be construction operations. These would include plastering, painting, fitting kitchens and bathrooms, tiling, laying carpets and the installation of certain types of fitted blinds. Some of these activities would not necessarily be considered to be construction operations if they took place outside the context of “rendering complete” for example certain painting jobs and the installation of blinds.”

4. If an activity **renders complete** a construction operation, is it subject to the same ‘install v supply’ consideration or must the activity be first identified as an ‘integral activity’ and only if it is not, should it then be considered from the perspective of identifying what element of a contract is or is not an installation or supply of materials/goods. For example, if the supply and installation of certain types of blinds is considered to be part of rendering complete the construction of a building (using the example in the TDM) is the entire payment for a construction operation?
5. Indeed, the same point could arise more generally in connection with ‘operations’ which form **an integral part of** construction operations given the

word 'operations' is not defined. There is a certain amount of confusion arising.

- Is the supply of goods/materials/plant considered to be **an integral part of** installing, altering or repairing the systems mentioned in (c) and (ca) in the definition of construction operation (or more generally an integral part of another construction operation, i.e. of the complete building)?
- Are **materials used** in the construction, alteration, repair, extension etc. of a building or structure more generally considered **part of construction operations** without reference to the integral test in (e) of the definition of construction operations?
- If not, is the supply of concrete blocks, steel, insulation, timber, pipes, concrete etc. by a builder considered under (e) to be an **integral part of** a construction operation referred to in (a) and (b) of the definition of construction operations?
- The guidance notes that the supply of a hired piece of machinery with a driver as being an operation for rendering complete a construction operation. It also notes that the hire of machinery without an operator is not a construction operation. So should the apportionment apply such that RCT is only applicable on the payment portion related to the cost of the driver?

Materiality

6. To what extent does materiality apply? Is there a de minimis consideration where a supply of materials or goods may be incidental to the service, e.g. replacement parts, consumables such as screws, nails, wires and the entire amount can be treated as a construction operation?

Appendix I: Response received from Revenue on 17 April 2026 to the Institute's February 2026 submission on the TDM Part 18-02-01 'Relevant Contracts Tax: Relevant Operations'

TALC Direct and Capital Taxes sub-committee Revenue response to ITI Queries regarding TDM 18-02-01

The ITI submission dated 25 February to the TALC Direct and Capital Taxes sub-committee raises a number of queries regarding Relevant Contracts Tax and Tax and Duty Manual 18-02-01.

1. Apportionment of payments for mixed contracts.

TDM 18-02-01 provides guidance on the treatment of mixed contracts, stating:

“Where the contract provides for a single consideration to cover both the RCT and non-RCT elements, the consideration needs to be apportioned by the principal with RCT applying to the part of the consideration relating to construction operations.”

The ITI submissions seeks clarifications on how this should operate in practice and the role the subcontractor plays in this process, particularly given the role of the subcontractor in issuing invoices and the different invoicing scenarios that may arise.

Response

Principal contractors play a significant role in the administration of RCT and in Revenue's opinion, as they have responsibility for the submission of payment notifications and the deduction of RCT from relevant payments, they are ultimately responsible for ensuring that the amount that is subject to RCT and that is entered on payment notifications is correct. Revenue will not be proscriptive in how a principal arrives at the amount of the payment that is subject to RCT and have no issues with discussions taking place between principals and subcontractors in order to arrive at the correct figure.

Section 530S(1) requires a principal, in advance of submitting a payment notification, to obtain from the subcontractor a statement setting out appropriate details of the work giving rise to the relevant payment and the cost of the work, and the statement shall include the subcontractor's name, business address and tax reference number. Fulfilling this statutory obligation will enable principals to correctly ascertain the amount of the relevant payment.

2. Effective Date

The ITI is seeking clarity that Revenue is satisfied for Principal Contractors to apply the guidance to contracts and payments going forward from the date of publication of the guidance only. Clarification is also sought that Revenue will not require payments on which RCT has been operated historically on a full contract basis to be adjusted.

Response

Revenue confirm that the effective date is the date of publication of the guidance and no adjustment will be required to historical payment notifications.

3. Repair and Maintenance Contracts

In situations where a contract exists for repair and maintenance clarity is sought on whether Revenue intends RCT to operate on the full contract or just the portion relating to repair only.

Response

Contracts for repair are within the scope of RCT and contracts for maintenance are outside of RCT. When a contract covers both repair and maintenance and the repair element of the work is invoiced separately or is itemised separately on an invoice only the element of the work that relates to repairs should be subject RCT.

However, Revenue recognise that this will not always be the case and that in reality it can be difficult to distinguish repair and maintenance work and therefore Revenue is prepared to continue the current practice, outlined in paragraph 3.1(a) of [Tax and Duty Manual 18-02-01](#), whereby principals operate RCT on the full amount paid under a repair and maintenance contract.

4. Operations that are for rendering complete or are an integral part of a construction operation

A number of scenarios regarding works which are for rendering complete a construction operation or which are an integral part of a construction operation are outlined in the submission. These works can involve the supply of material used in construction operations with clarity being sought on whether the supply of such materials comes within the definition of construction operations.

Clarity is also sought on the position regarding the hiring of machinery with a driver and whether an apportionment should apply such that RCT is only applicable on the portion of the payment relating to the cost of the driver.

Response

As outlined in the recent update to the TDM the supply of materials is not within the definition of construction operations. This applies to all scenarios where materials are supplied to a principal including materials that are used in operations which form an integral part of, or are preparatory to, or are for rendering complete such operations as are described in paragraphs (a) to (d) of the definition of construction operations in section 530.

In relation to the hiring of machinery with a specialised operator, as outlined in paragraph 3.1(e) of [TDM 18-02-01](#), Revenue consider that the hire of the machinery with a specialised driver to be an integral part of an overall construction operation and that the full payment is subject to RCT.

5. Materiality

The question raised is to what extent does materiality apply? Is there a de minimis consideration where a supply of materials or goods may be incidental to the service.

Response

There are no de minimus provisions in the RCT legislation and Revenue is not in a position to introduce an administrative practice in this area. However, a common sense approach should be

taken by principals and if very small payments in respect of materials are included in RCT, by a principal Revenue, will not seek to apply penalties to principals.

Personal Taxes Policy & Legislation Division
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