



eWithholding Tax (eWHT)

Response to the Joint Consultation

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1. About the Irish Tax Institute

The Irish Tax Institute is the leading representative and educational body for Ireland's Chartered Tax Advisers (CTA) and is the country's only professional body exclusively dedicated to tax. The Chartered Tax Adviser (CTA) qualification is the gold standard in tax and the international mark of excellence in tax advice. We benchmark our education programme against the very best in the world. The continued development of our syllabus, delivery model and assessment methods ensure that our CTAs have the skills and knowledge they need to meet the ever-changing needs of their workplaces.

Our membership of over 6,000 is part of the international CTA network which has more than 33,000 members. It includes the Chartered Institute of Taxation UK, the Tax Institute of Australia, the Taxation Institute of Hong Kong and the South African Institute of Taxation. The Institute is also a member of the CFE Tax Advisers Europe (CFE), the European umbrella body for tax professionals.

Our members provide tax services and business expertise to thousands of Irish owned and multinational businesses as well as to individuals in Ireland and internationally. Many also hold senior roles in professional service firms, global companies, Government, Revenue, state bodies and in the European Commission.

The Institute is, first and foremost, an educational body but since its foundation in 1967, it has played an active role in the development of tax administration and tax policy in Ireland. We are deeply committed to playing our part in building an efficient and innovative tax system that serves a successful economy and a fair society. We are also committed to the future of the tax profession, our members, and our role in serving the best interests of Ireland's taxpayers in a new international world order.

Irish Tax Institute - Leading through tax education

2. Executive Summary

The Institute welcomes the opportunity to respond to the joint public consultation by the Department of Finance and Revenue on a proposed new eWithholding Tax (eWHT) regime. We have completed the consultation survey. A copy of our responses is included in the Appendix to this document. We also provide additional insights and observations below, given the significant implications of the reform proposed.

The consultation proposes modernising Relevant Contracts Tax (RCT) and Professional Services Withholding Tax (PSWT); extending withholding tax to the platform economy; and introducing an individualised Personalised Deduction Rate (PDR) for self-employed individuals.

Under this new eWHT regime, a Designated Withholder (DW)¹ would withhold tax on payments for services to a Specified Person (SP)². The current RCT and PSWT rates would be abolished and replaced with a single flat rate (as yet undisclosed) for payments to corporates, partnerships and similar entities and a PDR for payments to individuals, with the rate based on the individual's income, tax credits/bands and declared tax-deductible expenses at the time the payment is made.

The intended scope of the reform and the tax risks that eWHT aims to address remain unclear from the published material. We outline some of the key questions that remain unanswered further below.

We support modernising tax administration. In particular, the Institute has raised with Government and Revenue on numerous occasions the need to invest additional resources in the Revenue Online Service (ROS) and have highlighted system issues and limitations with the existing platform. We have identified several IT developments which are needed to simplify and support compliance by

¹ A Designated Withholder (DW) would be a current principal contractor for Relevant Contracts Tax (RCT); an accountable person for Professional Services Withholding Tax (PSWT); or a platform operator.

² A Specified Person (SP) would be a provider of services in the construction, forestry, and meat processing sector, currently subject to RCT; a provider of professional services to accountable persons, currently subject to PSWT; or a provider of services via an online platform.

self-employed and corporate taxpayers with their tax obligations. Regrettably, investing in new IT developments and initiatives continue to be prioritised over maintaining and enhancing the existing compliance tools and processes.

Any steps to modernise tax administration in Ireland should focus first on ensuring that the existing tax compliance architecture is efficient, effective and robust before embarking on creating a new compliance model which would require extensive IT investment.

In addition, any significant reform must be carefully considered including assessing its wider economic implications and whether it would be an improvement on the current tax administration regime. As framed, the eWHT regime could affect Ireland's competitiveness, increase business costs and impact cashflow for the self-employed and for businesses. It is also not clear that the changes proposed would align with government policy to support economic growth and investment in infrastructure, and housing.

To help inform our response to the consultation, the Institute canvassed members' views via a survey in January 2026³ to which 145 responses were received. We also consulted with large member firms to ascertain their views of the impact of the proposal on Irish businesses. The findings from our member survey are detailed in our responses to the consultation survey, which we have included in the Appendix.

Overwhelmingly, the feedback highlights concern with the scope and implications of the reform envisaged. These include:

- Whether Ireland intends to unilaterally move ahead of international agreements by introducing an eWHT for the platform economy and the territorial scope of such a tax.
- The cashflow impact on Irish businesses of expanding withholding tax.

³ Irish Tax Institute Survey on Proposed New eWHT Regime, January 2026, 145 responses: 97 were tax advisers who advise businesses/individuals considered a DW or SP; 22 were businesses/individuals considered a DW; 11 were businesses/individuals considered a SP; 15 were businesses/individuals considered both a DW and a SP.

- The consequences of removing the 0% RCT rate on funding of critical housing and infrastructure construction projects and accessing specialist expertise from overseas.
- The compliance and administrative costs the proposal would impose on Irish businesses.

We outline below six key recommendations based on the concerns raised by members, with further detail on these matters outlined in section 3 of this submission.

Institute Recommendations

1. Ireland has very strong tax compliance rates⁴ and a reputation as a good place to do business. This reputation is critical to attracting foreign direct investment (FDI) and the growth of domestic businesses. Further work by the Department of Finance and Revenue is needed to clarify the scope of the proposal and what tax leakage it is attempting to address. Based on the preliminary information made available with the consultation, we would question whether such a substantial reform at this juncture is warranted or wise and therefore, should not be implemented.
2. The proposal lacks clarity on how eWHT would apply to the platform economy and its territorial scope. We recommend pausing this strand of the proposal until the specific compliance issues in question, DAC7 implications, and ViDA commitments are fully defined. If policymakers decide to proceed, a detailed Strawman Proposal should be developed to outline the intended design and scope of eWHT for platform operators.

⁴ Revenue Headline Results 2024, Timely compliance rates exceed 90% for business taxes across the tax base <https://www.revenue.ie/en/corporate/press-office/annual-report/2024/headline-results-2024.pdf>

3. We do not agree with a proposal to accelerate the payment of tax by the self-employed. Cash is the lifeblood of business and individuals are familiar with their obligations under the current regime and can plan accordingly. The use of a personalised rate rather than a flat rate of withholding tax could result in the unintended disclosure of an individual's personal circumstances. The GDPR implications of such a measure would also need to be fully considered.
4. It is imperative the 0% RCT withholding tax rate is retained for compliant resident and non-resident subcontractors. Its removal would have serious implications for the cost and delivery of critical housing and infrastructure projects, which would be at odds with the Government's National Development Plan.
5. A full review of PSWT should be conducted to determine whether the regime remains appropriate before expanding its scope or altering its operation.
6. We urge policymakers to adopt a cautious approach to expanding withholding tax, mirroring the approach taken in modernising Ireland's administration of VAT. It is important that international experience is reviewed first so that Ireland can learn from any mistakes in design and implementation of withholding taxes before taking policy decisions which would have far reaching consequences for Ireland's competitive position. There is a myriad of practical administrative issues that need to be considered before introducing any reform which would require extensive consultation with business. Providing a long lead-in time and financial supports for businesses to adapt to any new regime would also be necessary.

The Institute would welcome the opportunity to discuss the matters raised in this submission. Please contact Anne Gunnell of this office at agunnell@taxinstitute.ie if you require any further information in this regard.

3. Key elements of the proposed eWHT

3.1. Scope of the proposal

The published material accompanying the public consultation provides limited details on the proposed new eWHT regime. Consequently, the observations the Institute can make at this time are similarly limited.

Many key questions on the operation of the new regime are not addressed in the material. For example:

- The scope of businesses that eWHT would apply to i.e. is it all self-employed, all platform operators whether resident/non-resident?
- The “tax leakage”, if any, eWHT would address.
- Whether the impact on business cashflow of accelerating tax payments through withholding taxes has been considered.
- Whether the “benefits” for businesses put forward in the consultation questionnaire are actually benefits to businesses. For example, paying tax on account and in many cases, overpaying tax during the year may not be perceived as a benefit or the preferred approach when compared to the current regime for self-assessed taxpayers.
- Whether Ireland intends to introduce an extra-territorial withholding tax on platform operators which would move beyond the agreed international framework for reporting information under DAC7.
- Whether removal of the 0% RCT rate is intended and, if so, whether the implications of such a change on the pricing and funding of significant infrastructure and residential housing projects has been considered.

- Whether the provision of a PDR will enable a DW to deduce information about the income or age of a taxpayer and its implications for taxpayer confidentiality and GDPR.
- Whether the PDR will actually result in “paying the right tax at the right time” or make it difficult for a self-employed taxpayer to predict their cashflow on an ongoing basis as the rate varies.

It is understandable that Revenue wants to future-proof the tax administration system and leverage the use of technology to secure tax yield for the Exchequer. However, it is important that any significant reforms are fully considered in advance, provide benefits for all stakeholders and decisions are informed by a wider lens than just tax administration.

Recommendation: Ireland benefits from very strong tax compliance rates and a reputation as a good place to do business. This reputation is critical to attracting FDI and the growth of domestic businesses. Further work is needed to clarify the scope of the proposal and what tax leakage it is attempting to address. Based on the preliminary information made available with the consultation, we would question whether such a substantial reform at this juncture is warranted or wise and therefore, should not be implemented.

3.2. Application of eWHT to platform operators and its interaction with DAC7

The new eWHT regime proposes to expand withholding tax to the platform economy. The material references the rapid growth of the “sharing” and “gig” economy and that platform-based services are creating new demands on tax administrations and systems to keep pace with this evolving landscape. The material references that as more taxpayers earn income through platforms, tax administrations must modernise systems to achieve effective tax compliance in these sectors.

The platform economy is very diverse. The proposal is not clear on the type of activities to which eWHT would apply and whether a compliance problem has been

identified that will be resolved by eWHT. Consequently, it is difficult to provide meaningful feedback.

We can only comment in general terms on the proposal. To consider for example, the area of social media influencers which has been a recent focus for Revenue. Payments to social media influencers are often not from the platform on which the content is hosted but as a result of redirect links to the products they advertise, with payment provided through an agent. Such payments to social media influencers are not in scope of reporting under the Directive on Tax Administrative Cooperation (DAC7).

A platform operator may outsource payments to a financial intermediary or third party. It is not clear how an eWHT regime could be correctly applied and as such, address non-compliance by the social media influencer. Similarly, it is unclear how a payment for the supply of goods and services would be treated where there is no way to bifurcate the payment.

As acknowledged in the proposal, the challenges arising from the growing popularity of platforms are not unique to the Irish tax authority. DAC7 already provides information to tax authorities to support tax compliance. It is not clear whether the proposal means to capture non-resident platform operators that do not have a Permanent Establishment (PE) in Ireland. If the new eWHT regime does not apply to such non-established operators, they would have a competitive advantage over Irish-based operators. On the other hand, if withholding does apply, then Ireland is proposing to unilaterally proceed beyond the terms of DAC7 to introduce an extra-territorial withholding tax regime, which would have significant implications for Ireland's competitiveness and the willingness of platform operators to operate in the Irish market due to additional compliance costs and administration.

In addition to significant investment and effort in managing reporting obligations under DAC7 and the OECD Model Rules for Reporting by Platform Operators (MRDP), platform operators are now facing into a cycle that will require considerable investment in IT infrastructure to comply with the incoming VAT in the Digital Age (ViDA) package requirements including the introduction of a deemed supplier rules

for the platform economy for short-term accommodation rentals and passenger transport services from 1 July 2028 and eInvoicing and Digital Reporting Requirements (DRR) (i.e., real-time reporting for VAT) from 1 July 2030. The eWHT proposal undermines the investment and efforts made by platform operators to comply with DAC7 in an Irish context and member feedback indicates that platform operators are now questioning that investment when it could be usurped by another unilateral evolution of tax administration shortly afterwards. It would not be appropriate to introduce another new obligation which is Ireland-specific at this juncture.

We note the reference in the consultation material to eWHT and taxing the gig economy. The Supreme Court's *Karshan*⁵ judgment introduced a new five-step framework for determining employment status. Revenue's related guidance⁶ illustrates that many short-term or even one-off engagements could be considered contracts of employment requiring the deduction of PAYE. Given the extensive range of scenarios in the Revenue guidance where Revenue considers PAYE should be operated, introducing an eWHT regime for such workers seems unnecessary and would impose additional administrative obligations on businesses alongside PAYE.

Expanding withholding tax to more service providers risks pulling standard B2B commercial arrangements into scope of eWHT and introducing cashflow pressures for compliant businesses. Without clear limits and safeguards, this could raise costs, reduce competitiveness, and discourage the use of Irish-based providers. We also believe the implementation costs for platform operators could outweigh the revenue generated in the Irish market and risk the exit of certain providers from the market.

The proposal does not provide an implementation timeline to expand eWHT to the platform economy. We do not believe it is appropriate to introduce any further obligations on platform operators in advance of, or that are not aligned with, the implementation of the ViDA package.

⁵ The Revenue Commissioners v Karshan (Midlands) Ltd T/A Domino's Pizza, Supreme Court Judgment, 20 October 2023.

⁶ Revenue Guidelines for Determining Employment Status for Taxation Purposes <https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-05/05-01-30.pdf>

If compliance issues for those operating in the gig-economy are a key area of concern for Revenue, we would suggest the following steps could be considered to address such concerns:

- i. pre-populate gig-economy workers' tax returns with the information reported under DAC7/MRDP. (This would enable the capture of a broader population of taxpayers than the proposed eWHT model);
- ii. launch an extensive education campaign to inform gig-economy workers of their tax obligations and rights; and
- iii. design simplified tax filing systems for gig-economy workers.

The steps suggested above align with the approach adopted in Singapore, which reports a 96% compliance rate. Singapore was one of the key case studies examined in the Benchmarking Report on models of taxing the platform gig economy⁷ cited in the consultation material.

Recommendation: The proposal lacks clarity on how eWHT would apply to the platform economy and its territorial scope. We recommend pausing this strand of the proposal until the specific compliance issues in question, DAC7 implications, and ViDA commitments are fully defined. If policymakers decide to proceed, a detailed Strawman Proposal should be developed to outline the intended design and scope of eWHT for platform operators.

3.3. Personalised Deduction Rates and implications for taxpayer confidentiality

It is proposed that Revenue would calculate a PDR for an individual (SP) which would be updated on an ongoing basis to take account of the individual's income, details of tax-deductible expenses submitted via a PDR Tool, tax credits/rate bands. The payor (DW) would be informed by Revenue via an Application Programming Interface (API) of the appropriate rate to withhold when making payments to the individual.

⁷ https://reform-support.ec.europa.eu/publications-0/exploring-e-withholding-taxes-future-proof-tax-compliance-ireland_en

The stated aim of the proposal is to ensure that the “right tax is paid at the right time”. Tax withheld would be populated in the individual’s income tax return and credited towards the payment of preliminary tax.

In our view, this in effect accelerates the payment of preliminary tax by the self-employed. These individuals are already very familiar with their income tax obligations and provide for their income tax payments as they fall due each October/November. Revenue’s statistics each year demonstrate the high rates of payment and return compliance for income tax. Individuals have the flexibility to base their preliminary tax on their current year liability or the prior year. Certainty about the tax payment date allows the self-employed to manage their cashflow and plan head, fund pension contributions etc.

It would appear that the PDR would effectively remove this flexibility by collecting the tax earlier in the year which cannot be refunded until a tax return for the year is filed. It is difficult to understand why accelerating the payment of tax by the self-employed is being considered at a time when the Exchequer is in a healthy fiscal position. We would also note that individuals generally complete their accounts and tax return on an accruals basis, but tax would be withheld from gross payments as they are made. This means a mismatch will arise between the year in which a payment is taxed and when the credit for tax withheld would be available.

The proposal presupposes that individuals will log their tax-deductible expenses during the year which will influence their PDR. Realistically, many taxpayers may wait until the end of the year to collate their expenses. Depending on the nature of a business, income may fluctuate during the year so the PDR will not deliver on the aim of collecting the “right tax” at the “right time”.

A lower PDR could be beneficial in the immediate term but result in an unexpected large tax bill when the return is due. Many self-employed currently rely on offsetting withheld taxes, such as RCT, against other taxes as they arise. It is unclear whether this would be possible under the new regime.

We believe the PDR would be difficult to administer and result in increased administration for self-employed individuals or require them to engage a tax adviser to assist with reconciling the tax withheld to actual payments resulting in additional costs. The proposal does not indicate how frequently the PDR would be determined (i.e. annually or monthly etc.).

There is a concern that a PDR will reveal sensitive information about an individual. For example, a DW could deduce whether the individual is liable to tax at the standard or marginal rate, whether they avail of the age credit etc. This could disadvantage an individual in price negotiations with a DW or when seeking to be paid in priority over other creditors. Provision of sensitive personal information of a taxpayer to a third party and the implications for GDPR and data security would need very careful consideration.

Recommendation: We do not agree with a proposal to accelerate the payment of tax by the self-employed. Cash is the lifeblood of business and individuals are familiar with their obligations under the current regime and can plan accordingly. The use of a personalised rate rather than a flat rate of withholding could result in the unintended disclosure of an individual's personal circumstances. The GDPR implications of such a measure would also need to be fully considered.

3.4. Reform of RCT to a single deduction rate

It appears that the proposal would replace the current rates of RCT withholding (0%, 20% and 35%) with a PDR for payments to individuals and a single flat rate for payments to a corporate, partnership or other entity. The consultation does not specify what flat rate would apply to corporate subcontractors in the new eWHT regime.

Feedback from members highlights serious concerns about removing the 0% rate for tax-compliant subcontractors, with numerous comments on this proposal in response to our survey. The ability to qualify for a 0% RCT withholding rate is a long-established feature of Ireland's RCT regime. It is limited to subcontractors that have

a fully compliant tax history for at least three years up to the date of the contract with a principal contractor. The 0% rate is withdrawn if the subcontractor does not continue to remain fully compliant. Revenue regularly reviews subcontractors' tax compliance via its eRCT system and revises RCT withholding rates, as necessary.

We understand that large construction projects are priced and financed on the basis that the 0% withholding rate will be available. Consequently, removing the 0% RCT rate would significantly impact the viability of ongoing and future projects.

Refinancing projects would cause significant cashflow issues for companies and delay pending projects.

Any new measure that could slow the delivery of construction projects, including residential developments, would run contrary to the Government's policy commitment to accelerate housing supply, as committed in its Programme for Government⁸ and the recently published Action Plan on Housing Supply and Targeting Homelessness.⁹

Many critical infrastructure projects require specialist expertise from overseas. These include large-scale developments focused on building, upgrading, or maintaining vital public systems, including transportation, energy grids, water/sewerage, and telecommunications. Considering the specialist knowledge required, the tenders for these projects are often won by subcontractors based in other jurisdictions as the expertise is not available in Ireland. These non-resident subcontractors may not have a PE in the State and ultimately have no Irish tax liability, yet they are liable to the Irish RCT regime.

Currently, these subcontractors can access the 0% RCT rate by evidencing a compliant tax record in their country of residence. In our view, removing their access to the 0% rate would seriously impact the attractiveness of these tenders from

⁸ Programme for Government 2025 - Securing Ireland's Future, January 2025 <https://www.gov.ie/en/department-of-the-taoiseach/publications/programme-for-government-2025-securing-irelands-future/>

⁹ Delivering Homes, Building Communities 2025-2030: An Action Plan on Housing Supply and Targeting Homelessness, November 2025 <https://www.gov.ie/en/department-of-housing-local-government-and-heritage/campaigns/delivering-homes-building-communities-2025-2030-an-action-plan-on-housing-supply-and-targeting-homelessness/>

abroad, delay the delivery of critical infrastructure projects and undermine Ireland's reputation as a competitive place to do business.

Recommendation: It is imperative the 0% RCT withholding rate is retained for compliant resident and non-resident subcontractors. Its removal would have serious implications for the cost and delivery of critical housing and infrastructure projects, which would be at odds with the Government's stated policy on housing and infrastructure.

3.5. Professional Services Withholding Tax (PSWT)

The proposal would replace the 20% PSWT flat rate deduction with a PDR for individuals and a lower flat rate for corporates, partnerships, or other entities. We have outlined above the considerations relating to the implementation of a PDR.

Based on the feedback from our members, we consider the scope of PSWT should be reviewed before introducing any such changes. This review should include consideration of whether PSWT is necessary where the service provider already holds tax clearance (i.e. having a 0% withholding tax rate similar to RCT).

The shift from paper-based PSWT to ePSWT has reduced some administrative work, but PSWT remains burdensome, requiring frequent interaction with Revenue to obtain interim refunds and the correct allocation of PSWT, including for partnerships and in medical practices.

In our view, PSWT should not be extended beyond State and Semi-State Bodies. Broadening its scope without clear justification would increase cashflow pressures and administrative burdens, particularly for SMEs engaging with these bodies.

Recommendation: A full review of PSWT should be conducted to determine whether the regime remains appropriate before expanding its scope or altering its operation.

3.6. Impact on Ireland's competitiveness and the cost of doing business

The stated aim of the proposal is to help modernise the tax administration system in Ireland in line with Tax Administration 3.0.¹⁰ Many of the questions in the survey are framed to invite feedback on perceived benefits from the proposal. The benefits to Revenue are clear, however, the benefits to taxpayers and more broadly for the Irish economy are unclear.

For example:

- It is not evident that the taxpayer would pay the “right tax at the right time” as the proposal assumes the taxpayer would continually log their expenses to determine the appropriate PDR. It is more likely it would result in an overpayment of tax and there does not appear to be any scope for interim refunds.
- A flat rate of withholding tax gives certainty to a taxpayer unlike a PDR where the rate could change monthly impacting on a taxpayer's ability to predict their cashflow from month to month.
- The flat rate of withholding tax for corporates is not outlined in the consultation material, yet it is a key factor for business planning and attracting FDI to Ireland.
- A withholding tax on self-employment income would have a direct cashflow impact and frontload the payment of tax, diverting cash from funding the business and personal choices including pension contributions.
- Tax would be withheld on a paid basis when businesses are taxed on an accruals basis, in accordance with accounting principles. This means there would be a mismatch in allocating payments and the tax withheld from the payments.

¹⁰ Tax Administration 3.0: The Digital Transformation of Tax Administration, OECD, 2020
https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/12/tax-administration-3-0-the-digital-transformation-of-tax-administration_886337a7/ca274cc5-en.pdf

- As noted above, for platform operators impacted by DAC7 and ViDA, the proposal to expand withholding tax to the platform economy would be another substantial change that would need to be implemented by those companies. Introducing new additional regulatory burdens to this sector would impact Ireland's competitiveness for these platforms.
- If Ireland chooses to move early to impose a withholding tax on platform operators, it risks introducing obligations and costs that these companies do not face in other jurisdictions, making Ireland a less attractive market. Members have cited instances where platform operator companies have simply withdrawn from a marketplace following the introduction of a compliance/regulatory burden because its impact rendered the operation in that jurisdiction unprofitable.
- As outlined above, removing the 0% RCT rate would have significant implications for the funding of critical housing and infrastructure construction projects.
- The proposals would introduce further complexity into the tax administration system which would involve substantial implementation costs for businesses without compelling evidence that there is a tax risk to be addressed.

All the above would impact the cost of doing business in Ireland and in turn damage Ireland's competitiveness. No attempt to modernise Ireland's tax administration system should proceed without full consideration of the wider implications of such a reform to ensure Ireland does not introduce measures that would hinder the country's attractiveness as a location for FDI and entrepreneurial growth.

3.6.1. Administration Costs

Our members have raised serious concerns about the consequential administrative costs that would be incurred by businesses to implement the major reform proposed.

For example:

- Businesses of all sizes would need to invest in upgrades to software to interact with Revenue's APIs. Embedding eWHT processes directly into accounting, payroll, or other business management systems would be costly for small businesses that are already absorbing costs associated with Auto-Enrolment, Enhanced Reporting Requirements (ERR) obligations, increased minimum wage and sick pay obligations.
- Platform operators would have to introduce new systems solely to handle obligations that only arise in Ireland.
- The proposed eWHT system would leave providers waiting for refunds of tax, which can often take up to 90 days for Revenue to pay.
- Significant additional administrative work including increased work on reconciliations, client communications and system updates would be required to implement the proposed new eWHT system with new API requirements creating extra costs for small businesses.
- There could be over-deduction of tax especially for taxpayers with low liabilities. Currently, sole traders can overpay tax to secure a refund or offset against other tax, for example, offset PSWT against VAT and payroll taxes. It is unclear whether this option would continue in the new eWHT regime.
- There is scope to improve the administration of PSWT and RCT to expedite refunds, reduce inconsistencies in interpretation and speed up the processing of applications. Instead, this should be the area of focus.
- In implementing any new system, Revenue should ensure that complex cases or variable scenarios can be dealt with efficiently, such as, partnerships with post year end profit allocations.

- Revenue's current operational capacity to manage and operate a new system would need to be considered given feedback of delays and difficulty contacting Revenue when issues arise.

Recommendation: We urge policymakers to adopt a cautious approach to expanding withholding tax, mirroring the approach taken in modernising Ireland's administration of VAT. It is important that international experience is reviewed first so that Ireland can learn from any mistakes in design and implementation of withholding taxes before taking policy decisions which would have far reaching consequences for Ireland's competitive position. There is a myriad of practical administrative issues that need to be considered before introducing any reform which would require extensive consultation with business. Providing a long lead-in time and financial supports for businesses to adapt to any new regime would also be necessary.

4. Appendix – Copy of Responses to the Consultation Survey

eWHT – Joint Public Consultation by Department of Finance and Revenue

Section 1: Personal Information

1. Please give your full name.

Anne Gunnell

2. Please give your contact email address.

agunnell@taxinstitute.ie

3. State the name of the organisation you represent (if applicable).

Irish Tax Institute

4. Who are you:

- ☐ Individual/Business
- ☐ Tax professional
- ☐ Government department/agency
- ☐ Business association
- ☒ Representative body
- ☐ Public Representative
- ☐ Other – please specify

5. Are you making a submission in relation to the proposals for a: (This question requires an answer.)

- ☐ Designated Withholder (DW)
- ☐ Specified Person (SP)
- ☒ Both DW & SP (for tax professionals, representative bodies, RCT middle principals)

6. Please tick the sectors that apply to you:

- ☐ Construction
- ☐ Forestry
- ☐ Meat processing
- ☐ Professional services
- ☐ Platform economy
- ☒ Other – please specify [All]

Section 2: Feelings about the change

7. After reading about the proposed new eWHT system, how would you describe your overall reaction?

- ☐ Very positive – I strongly support the proposed direction
- ☐ Somewhat positive – I think it's a good idea overall
- ☐ Neutral/undecided – I need to know more before forming a view
- ✓ ☒ Somewhat negative – I have some concerns about aspects of the proposal
- ☐ Very negative – I do not support the proposed direction

8. What aspects of the proposed model appeal most to you, and why?

To help provide feedback on the proposed new eWHT system, the Institute surveyed its members in January 2026 (145 completed the survey: 97 respondents were tax advisers who advise Designated Withholders (DW) and Specified Persons (SP) and 48 were businesses/individuals that are a DW, SP or both).

We asked members if the benefits of the proposed new eWHT system would outweigh any cost and administrative burden that could arise for businesses. Of the 79 respondents who answered this question, 46% said 'No', 24% said 'Yes' and 30% noted they would need more detail on the proposal before giving a view.

We asked members to rank, by order of importance, which aspects of the new eWHT system, cited by Revenue, that would be of benefit to businesses. A real-time API system for payments was ranked highest, closely followed by pre-population of tax returns and automated preliminary tax pre-payment.

However, we received numerous comments from respondents raising concerns that the new eWHT system would only add to the already existing heavy administrative burden with the current system particularly for the self-employed sector/small businesses.

Respondents also cited significant cashflow difficulties for individuals because of the larger amounts of tax that would be withheld under the new system given individuals are unlikely to upload information throughout the year to improve the accuracy of their Personalised Deduction Rate (PDR) calculation.

In respect of Relevant Contracts Tax (RCT), members raised the cashflow impact on tax compliant businesses, including non-resident subcontractors, that would arise if a 0% rate is not preserved under the new system. Many respondents highlighted implementing a flat rate of withholding tax on corporates (above 0%) would create a substantial cashflow difficulty for contractors involved in significant national energy infrastructure and renewable energy projects, which would lead to higher pricing of those contracts as a result.

In respect of Professional Services Withholding Tax (PSWT), while a more real-time system could make managing claims easier and speed up refunds, members do not consider their clients (e.g. medical professionals) would have the time and resources to upload information throughout the year to improve the accuracy of their PDR calculation. Many respondents noted there would be duplication of work where the information is voluntarily reported to Revenue via an API and in an accounts package.

Other respondents noted that Ireland already has an established framework for the operation of RCT and PSWT. The proposed eWHT model would involve significant training and changing processes. Smaller businesses would need to invest in additional software packages to operate the API system which would pose a significant cost for those businesses.

Some members noted that the proposed eWHT system could help some individuals manage their finances better rather than paying a large lump sum payment to Revenue every October/November.

9. What concerns or reservations do you have about the proposed approach?

Members raised the following key concerns with the proposed approach:

1. **Serious cashflow impact for certain businesses:** Members highlighted that the proposal does not take account of the impact it would have on day-to-day cashflow of businesses. Implementing a flat rate of withholding tax for corporates, above the existing 0% rate for RCT, would create a substantial cashflow difficulty for many existing subcontractors. This would have a significant knock-on impact on the pricing and delivery of many major infrastructure contracts. Members noted such increased

cashflow constraints would also further damage the SME sector, which is already constrained by additional costs of doing business due to auto-enrolment and minimum wage increases. Members also highlighted the difficulties the new eWHT system would pose for sole traders with seasonal or variable-income who would struggle to manage their cashflow under dynamic deduction rates.

2. **Increased administrative and compliance burden:** Members anticipate the new system would create significant additional administrative work including increased reconciliations, extensive client communications and updates to systems. The withdrawal of the existing 0% RCT rate from existing subcontractors would result in cashflow difficulties and an additional administrative burden for them without any benefit. Implementing a real-time API system would require considerable investment in additional software and resources especially for small businesses.
3. **Lack of clarity on scope and policy design:** There is a lot of uncertainty amongst members regarding the scope and policy design of the proposal including the level of the flat rate applicable to corporates; the status of the existing 0% RCT rate; how preliminary tax payment requirements would be calculated especially in volatile trading conditions; how Revenue would determine the correct deduction rate given monthly and seasonal profit fluctuations; how platform operators would be defined and aligned with existing reporting requirements under DAC7; how non-resident subcontractors with no Irish tax liability would reclaim tax withheld; how pre-population of tax returns would be facilitated for partners where profit-sharing ratios are determined in a partnership after year end.
4. **Sector-specific risks:** Multiple respondents noted the renewable energy sector is already under significant supply, regulatory, planning, and cost pressures and that further cashflow strain would halt projects or close some developers. Withdrawing the 0% RCT rate would inevitably increase the amount of tax withheld in the construction sector leading to pricing distortions and major cashflow impact. It is unclear how the proposal would apply to platform operators that handle payments and those that do not, which could lead to market distortion. The cost of implementing the proposal for platform operators would be entirely disproportionate to the revenue generated in the Irish market, which could cause some operators to turn off their platform in Ireland and as a result, stifle growth.

5. **Data protection concerns:** Members expressed serious concerns with the proposal regarding privacy, GDPR compliance, confidentiality and commercial sensitivity. Many respondents believe the proposal risks exposing personal data, such as income, age, or assessment basis, to third parties. This could contravene GDPR and other existing data-protection obligations. Respondents raised concerns that revealing tax-related indicators (like PDR rates) could create misunderstandings, misjudgements, or stigma, particularly against individuals whose rate reflects personal circumstances rather than tax non-compliance and unfairly advantage a DW in price negotiations. Members highlighted that sharing information to determine the PDR would reveal business-critical or commercially sensitive data. Respondents noted operational and legal risks associated with requiring a DW to input and manage third-party data.
6. **Over-withholding of tax:** Members raised concerns with the over-deduction of tax, especially for taxpayers with no or much lower liabilities. The cashflow impact for individuals suffering withholding tax on gross payments from day one in the year cannot be underestimated.
7. **Revenue's responsiveness and system reliability:** Respondents cited instances of slow response time to queries and difficulties in progressing matters under the existing system and raised the critical importance of Revenue's responsiveness and system reliability in any new eWHT system.
8. **Need for consultation, guidance and communication:** Members emphasised the importance for consultation, education, awareness and clear guidance for any potential implementation process.

10. The proposed eWHT model seeks to expand withholding tax to payments to service providers where a suitable withholder exists. How do you feel generally about this type of expansion?

Members raised significant concern with the proposal to expand withholding tax to payments to service providers where a suitable withholder exists. Many respondents believe it would create additional, unreasonable administrative work for businesses and platform operators.

Members cited cashflow challenges and expressed concern with the knock-on impact of a proposed expansion of the withholding tax regime on the Irish economy, which could suppress business growth.

A number of respondents noted the difficulties with requiring platform operators to act as withholding tax agents given many do not handle payments. Members agreed that platform operators should have a reporting obligation but not a withholding tax obligation.

Members also noted they are not aware of any other OECD jurisdiction which operates withholding tax on payments to service providers. Members highlighted that increased compliance costs could drive some operators to exit the Irish market harming economic growth and negatively impacting Ireland's competitiveness.

11. In relation to PSWT specifically, this currently applies to payments made by state and semi-state bodies for certain services. Do you have a view on how it is targeted and if the types of payments it applies to should be reviewed?

The overwhelming view of members who completed the survey is that the types of payments subject to PSWT should be reviewed or reduced. Given the administrative burden and cashflow challenges faced by many taxpayers, members strongly believe PSWT should remain limited to payments from State and Semi-State bodies, and it should not be extended to private-sector payments.

Members also consider PSWT should not be imposed where the service provider holds a tax clearance certificate. A 0% rate for PSWT should be available, similar to RCT, for tax compliant professional service providers. Levying withholding tax in addition to having tax clearance imposes two compliance controls on a payment. Indeed, State and Semi-State bodies can report any payments made directly to Revenue without the need for tax to be withheld.

Section 3: Withholding Taxes and Business systems

Current Model for DWs

12. Please indicate if you currently operate:

- ✓ Professional Services Withholding Tax (PSWT)
- ✓ Relevant Contracts Tax (RCT)

13. From the perspective of a DW, how does the current application of PSWT and/or RCT impact on your business operations?

Feedback from DWs who completed our survey indicated significant operational challenges with the current RCT and PSWT regimes. These respondents describe RCT and PSWT as time-consuming, complex, and resource-intensive, for example, managing compliance creates additional overheads for businesses; ongoing monitoring of supplier status, withholding requirements, and correct tax application is difficult and costly; and systems must be regularly updated to reflect rule changes, which requires considerable internal effort.

DW respondents noted, in some cases, it can be unclear what services fall within the scope of RCT or PSWT and contractors often push back on the application of withholding tax, which causes delays and friction. Concerns were also expressed over Revenue's timelines for responses to technical queries which can slow projects and decision-making.

Responses from large multinationals noted difficulties with tracking all the required workflow steps (e.g., from contract notification to payment notification) and systems struggling to adapt when the withholding tax rate changes mid-process.

There was positive feedback from a small number of DW respondents on the current regime noting that *"The current system works ok"* and *"The current RCT regime is working well. It does not need adjustment."*

Feedback from members who advise DWs and SPs highlighted significant cashflow pressures caused by both RCT and PSWT. High RCT rates (especially the 20% default rate for new entities or incorporated sole traders) can create serious cashflow strain. Interim refund processes for PSWT can be slow and cumbersome, exacerbating cashflow difficulties.

Some members noted that although withholding can strain liquidity, it can also encourage timely filing because clients want refunds sooner.

Members noted some administrative issues such as the eRCT system logging users out frequently and requiring too many steps for simple actions. Members suggested requirements such as adding subcontractors and sites could be simplified (e.g., dropdowns).

Members suggested significant improvements or reforms are needed to both systems. For example, RCT has an overly broad scope and punitive penalties. Several members noted inconsistent or evolving interpretations by Revenue, making it difficult to advise clients. Members noted the proposed eWHT regime could complicate matters by combining systems used for different industries.

Members cited sector specific concerns, such as, sectors with large once-off invoices. Members also raised concerns with their interactions with Revenue including, delays in processing repayment requests or offsets; withdrawal of tax clearance certificates causing blocked payments; interest being incorrectly applied while PSWT credits await certification; and incorrect PSWT being removed from a supplier's record without notification.

14. If you are a Platform Operator, does your organisation have any experience of applying taxes to transactions, for services operating on your platform, in other jurisdictions? If yes, please provide information of the jurisdiction and details of the tax.

Respondents to our survey did not have experience of applying taxes to transactions, for services operating on a platform in other jurisdictions.

15. From the perspective of a DW, what are your views on the application of RCT and/or PSWT, as the case may be?

See response to Q13.

16. What is your understanding of the withholding tax model of tax collection of RCT and PSWT and why it is applied to payments?

See response to Q13.

Section 4: Withholding Taxes and Business systems

Proposed Model for DWs

17. The proposal aims to embed eWHT processes directly into accounting, payroll, or other business management systems. How beneficial do you think this would be for your business?

38% of DW respondents considered embedding eWHT processes directly into accounting, payroll, or other business management systems would be beneficial, while 21% disagreed and 42% did not know.

26% of members advising DWs who completed the survey considered it beneficial, while 51% disagreed and 23% did not know.

It is clear from both cohorts of respondents that the majority of members cannot say whether embedding eWHT processes directly into accounting, payroll, or other business management systems would be beneficial for businesses.

DW respondents noted significant IT input would be required including additional reconciliations and cost to implement. While some noted it could be beneficial if it is in line with VAT modernisation and implementation of e-invoicing and real-time reporting for VAT, others highlighted that large ERP systems do not have these systems in place for larger countries and questioned how it would work just for Ireland.

18. In your view, what opportunities could embedding eWHT within natural business systems create for your business or the wider industry?

42% of DW respondents could not identify whether any opportunities would be created for businesses by embedding eWHT processes into business systems, while 17% agreed opportunities could be created for business and 42% did not know.

62% of members advising DWs who completed the survey could not identify whether any opportunities could be created for businesses, while 5% agreed that opportunities could be created and 33% did not know.

Many members are concerned with the extra compliance costs but noted there may be reduced complexity or errors with an automated system.

19. What challenges do you think your business might face in adopting this embedded within natural systems approach?

Most of our members who completed the survey believe that there will be challenges with the approach to embed eWHT within natural business systems (i.e. 71% of the DWs and 46% of the tax advisers that completed the survey said “Yes”, while 46% and 29%, respectively, “did not know”).

DW respondents noted the approach would present a significant burden on business, for example, the IT challenges and cost. Members highlighted that different systems designed outside of Ireland could cause issues on interfacing and that implementing API systems with existing systems will cost thousands. Members question the cost benefit of this approach for business.

Members advising DWs highlighted concerns the proposal would require platform operators to design a brand new withholding tax system specifically for the Irish market. This would result in such platforms assessing whether the additional cost and compliance associated with the regime would be worth remaining in the Irish market.

There is concern amongst members advising DWs that Revenue’s technology-driven efficiencies would increase cost and administration burdens for taxpayers and would come at the expense of increasing labour requirements for businesses and tax advisers.

Many businesses that would fall within eWHT do not have adequate systems to support such a regime and there is a concern about increased unreviewed or automated transactions and the challenge of maintaining sufficiently skilled staff to manage new processes. System reliability issues (e.g., payment systems breaking down) compound this concern.

20. What is the estimated number of payments that you make to SPs each month?

While many respondents were unable to estimate the number of payments, some members cited numbers ranging as low as 1 up to the low thousands.

21. Do you currently use software for processing payments and or managing the finances of your business? If so, what packages do you use?

DW respondents noted various types of software used for processing payments and managing finances. These included: Blackline, Brightbooks, Microsoft Business Central; Xero; Wave; SAP4; Sage; Integrity automated payments; NetSuite; FIS; and AccountIQ.

22. Are you an employer for PAYE? If so, which software package do you use to report payroll taxes to Revenue?

DW respondents noted various types of software packages are used to report payroll to Revenue. These included: Xero; Wave; Brightpay; SAP4; Collsoft, Costco, Sage Micropay. In some cases, internal software is used, while others outsource their payroll.

Section 5: Withholding Taxes and Business systems

Current Model for SPs

23. Please indicate if you currently receive payments which are subject to deduction of:

- ✓ Professional Services Withholding Tax (PSWT)
- ✓ Relevant Contracts Tax (RCT)

24. Where you are currently subject to PSWT and/or RCT, how does the current application of withholding taxes impact on your business operations?

Survey respondents noted a cashflow impact while awaiting refunds and the associated administrative burden. In respect of PSWT, members noted the current system is workable but could be more user-friendly. For example, PSWT data is available online and manageable, but Revenue should focus on improving usability rather than changing the system. Members highlighted that income tax is charged on an accruals basis, but PSWT is collected on a payments basis which creates timing mismatches and credit delays that the new eWHT system will not fix.

25. From the perspective of a SP, what are your views on the application of RCT and/or PSWT, as the case may be?

See response to Q24.

26. What is your understanding of the withholding tax model of tax collection of RCT and PSWT and why it is applied to payments?

See response to Q24.

27. Where you are an SP operating as a corporate/partnership or other entity, do the current rates that apply to PSWT and RCT reflect your actual liability on the income received?

SP respondents noted that the existing withholding tax rates imposed do not reflect the actual liability on the income received and in fact, tend to be higher.

Section 6: Withholding Taxes and Business systems

Proposed Model for SPs

28. The proposal aims to embed taxation directly into how you get paid by the DW. How beneficial do you think this would be for your business?

Most of our members who completed the survey do not think that embedding taxation directly into the payment made by a DW to the SP would be beneficial for the SP's business (i.e. 51% of the tax advisers and 42% of the SPs that completed the survey said "No", while 23% and 42%, respectively, "did not know"). Respondents highlighted the impact on cashflow and the uncertainty surrounding the amount that would be deducted on each payment.

29. Where you are an SP operating as an individual worker, the proposal aims to implement personalised deduction rates (PDR), which means you will pay tax on your income as you go, similar to how employees are taxed under PAYE. What impact do you think PDR will have on your cashflow and financial management?

SP respondents noted that they can already provide for their income tax and preliminary tax liabilities and that an individualised PDR would create uncertainty and additional unnecessary administration. They cautioned that a PDR would not (and could not) take account of actual expenses in a given tax year and actual income, as an individual's income can fluctuate.

Members advising SPs highlighted concerns with lower PDRs creating tax risk as more compliant taxpayers would be in receipt of increased net funds requiring greater discipline to save for their final tax liabilities.

Others raised concerns with reduced PSWT credits leading to increased future preliminary tax liabilities, causing further cashflow strain. Similarly, low-margin businesses could suffer due to the reduction in offset of taxes and become more reliant on prompt Revenue processing of refunds.

Members noted that PDRs would be difficult to administer, with increased reconciliation issues and risk of incorrect rates being applied.

Members suggested that the standard rate should be retained as taxpayers would not reliably update their personalised rates. However, feedback from some members indicated that lower PDRs could be beneficial for some taxpayers.

30. Do you think this new regime, including the PDR will have a positive effect on your end of year Income Tax return filing and preliminary tax payment obligations?

Members do not think there would be a positive impact on the end of year income tax return filing or preliminary tax payment obligations. Some respondents noted the certainty with the current regime and that taxpayers can implement their own savings plan to meet their tax payment obligations with the return filing deadline. Members also raised cashflow concerns which could impact some individuals making pension contributions.

31. The accuracy of PDR is improved by the regular reporting by you to Revenue of your income and business expenses. How likely are you to report your income and expenses to improve the accuracy of your PDR?

The overwhelming feedback from members is that individuals are unlikely to report income and expenses to improve the accuracy of their PDR given the level of time, cost and resources that would be required to regularly upload information to Revenue. The cost associated with such ongoing administration would be too prohibitive.

Section 7: Readiness and Change

32. What changes do you expect to have to implement in your business in order to be ready for the proposed eWHT regime?

While members noted that any changes would depend on further clarity on the proposal, members expressed concerns with the significant administrative, financial, and operational burdens which would arise because of the proposal.

DW respondents would expect additional costs associated with hiring more in-house accounting staff or administrative supports; investing in new software, ERP upgrades, or system changes; and having to seek ongoing tax advice to determine scope and meet compliance obligations.

33. What benefits do you expect the new regime to have on your business processes, costs and delivery of your business services?

The overwhelming feedback from members was that the new regime is unlikely to provide any benefits to business processes. Ireland has very strong tax compliance rates and a reputation as a good place to do business. This reputation is critical to attracting foreign direct investment (FDI) and the growth of domestic businesses. Further work is needed to clarify the scope of the proposal and what tax leakage it is attempting to address. Based on the preliminary information made available with the consultation, our members question whether such a substantial reform at this juncture is warranted. While the benefits to Revenue are clear, the benefits to taxpayers and more broadly for the Irish economy, are not evident.

34. What would you consider a reasonable timeframe for your business to adapt to the proposed new system?

Members noted a reasonable timeframe to adapt to the proposed new system would be between 2-6 years.

35. How confident are you that your business could adapt to the new system within a reasonable timeframe?

Feedback from members indicates that businesses would find it difficult to manage cashflow. Significant resources and investment would be required to adapt to any new

system. Members noted that an appropriate lead-in time would be necessary which is well mapped out in advance together with clear and timely guidance from Revenue.

Some members noted the proposal presents a real risk that some platform operators will turn off the platform for the Irish market. Members do not believe it is appropriate to introduce any further obligations on platform operators in advance of, or that are not aligned with, the ViDA requirements which these operators must implement by 2028/2030.

36. In terms of the management of your business, which outcomes from this new regime are the most important for you? (Select a maximum of 3) (This is a required question.)

✓ Reduced administrative workload

- ☐ Increased accuracy of information submitted to Revenue
- ☐ Greater certainty in relation to your tax affairs
- ☐ Better visibility and control of information held by Revenue
- ☐ Seamless integration of taxation with your business systems

✓ Other (please specify)

[The overall feedback from members is that this proposal is not a positive change for taxpayers as they do not consider businesses will benefit from the proposal.]

37. What supports from Revenue would be of most benefit to you in transitioning to the new regime? (Select a maximum of 3) (This is a required question.)

✓ Training or awareness sessions

- ☐ Helpdesk or dedicated Revenue contact
- ☐ Industry/professional body support
- ☐ Clear guidance for software providers and a testing environment
- ☐ Mailshots and guidance on the Revenue website

✓ Other (please specify)

[The strong feedback from members who advise DWs and SPs is that the proposed new regime should not be implemented. Instead, Revenue should engage in a significant education campaign to ensure that gig economy workers understand their tax obligations and rights. This would have a more positive impact on the overall tax system. In combination with a broader campaign, the information reported to Revenue under DAC7/MRDP should be pre-populated in tax returns so that taxpayers are prompted to file their tax returns.]

38. Is there anything else you'd like to share about how the proposed eWHT system could best meet the needs of your business or sector?

Feedback from our members indicates that grants and incentives would be needed for businesses to undertake any transition with a reduction in administration efforts.