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Simon Harris TD

Tánaiste and Minister for Finance

Department of Finance

Merrion Street

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6 August 2026

Re: eWithholding Taxes Tax Strategy Group – 26/04 – policy proposals

Dear Tánaiste

We welcome the publication of the eWithholding Taxes Tax Strategy Group (TSG) paper on 23 July. The paper reflects careful consideration by your officials with members of the TSG of the stakeholder feedback to the joint public consultation on the modernisation and expansion of withholding taxes, which was held earlier this year. The high level of interest in the consultation process with a total of 233 responses received, is indicative of the scale and impact of the proposed reforms.

We welcome that the TSG paper sets out the valid concerns raised by stakeholders. These encompass matters which the Institute highlighted in our response to the public consultation in January, including introducing new administrative burdens amid other significant reporting changes (such as VAT Modernisation and DAC7 reporting);

cashflow implications, in particular the importance of the 0% Relevant Contracts Tax (RCT) rate to the viability of infrastructure projects; the suitability and accuracy of Personalised Deduction Rates (PDRs), and the potential impact on Ireland's competitiveness of the radical reforms proposed.

We would strongly agree with the summary comments in the TSG paper at section 8.5 that "…*implementing all proposals at once would be high risk and high cost and would not take account of stakeholder feedback and concerns."* We would also highlight that the importance of retaining the 0% RCT withholding tax rate is evident from the consultation feedback as its removal would give rise to persistent working capital and cashflow strain in the construction sector, potentially threatening the viability of critical housing and infrastructure projects and investment.

Similarly, we share the concerns reflected in the TSG paper that extending withholding tax to the platform economy could impose a significant compliance burden on these businesses and impact how these operations do business in Ireland, which in turn could erode and undermine Ireland's reputation and ability to attract investment.

The TSG paper outlines four possible policy options currently under consideration ranging from no policy change to full implementation of all proposals. However, the paper notes that Option 4, which would involve introducing reform via Professional Services Withholding Tax (PSWT), "…*appears to provide the best opportunity to proceed without causing significant disruption to business*." The paper states this would provide a further building block to the implementation of OECD strategy, outlined in Tax Administration 3.0, subject to review prior to any further expansion.

Option 4 in the TSG paper relates solely to PSWT. It proposes that the current 20% PSWT rate would be replaced by real-time PDRs (like PAYE RPNs), with a flat rate of deduction for corporates. An opt-in environment for other self-assessed persons is also contemplated.

Considering significant investment is needed to mitigate existing operational and ICT risks associated with end-of-life systems and the views expressed by some respondents to the consultation for a review of the scope and operation of the current PSWT to address concerns relating to cashflow, targeting, administration and the treatment of different categories of taxpayers, we would agree that Option 4 is the best opportunity to proceed with some reform without causing significant disruption to business. However, it is acknowledged in the paper that pursuing this option could cause cashflow issues and would require significant IT investment by Revenue, the State and Semi-State organisations that withhold PSWT.

We would request that any changes to PSWT should be preceded by early and detailed engagement with stakeholders on operational aspects of any proposed amendments, with a focus on minimising additional compliance costs for businesses. It would be important that any reform would not broaden the scope of PSWT beyond its current remit. Otherwise, this could introduce unnecessary complexity, administration and cashflow issues for impacted businesses.

We continue to view with caution the use of PDRs for payments to individuals, as the payor may be able to draw inferences about the profitability/income of the individual from the assigned PDR. We would also question whether a PDR will result in *"paying the right tax at the right time"*, as indicated in the consultation process.

As previously stated in our response to the public consultation, the Institute supports modernising tax administration. However, before significantly amending PSWT, priority should be given to strengthening the existing tax compliance architecture instead of creating any new models that could require extensive Revenue IT investment. Through TALC, the Institute has highlighted specific areas of the Revenue Online Service (ROS) requiring investment. We have also sought further ringfenced funding for Revenue IT systems supporting self-assessed taxpayers in pre-Budget submissions to you and to the Minister for Public Expenditure, Infrastructure, Public Services, Reform and Digitalisation, Jack Chambers TD.

Thank you for your consideration of this matter. Should you or your officials have any questions or wish to discuss the matters raised further as you continue your deliberations on the policy direction of the modernisation of withholding taxes, please contact Anne Gunnell, Director of Tax Policy and Representations at the Irish Tax Institute (agunnell@taxinstitute.ie).

Yours sincerely

Shane Wallace

Institute President