

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

ISME

**2. Who are you:**

Business association

**3. Are you making a submission in relation to the proposals for a:**

Both DW & SP (for tax professionals, representative bodies, RCT middle principals)

**4. Please tick the sectors that apply to you:**

multi-sector trade association

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

Very negative - I do not support the proposed direction

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

It links directly to the financial platforms of lawfully operated businesses. It represents an additional, uncoded and unnecessary intrusion into day-to-day business operations. It would impose ongoing administrative burden and cost throughout the year, rather than concentrating compliance activity at year-end when accounts are finalised and processed once. The principal benefits of this proposal appear to accrue to the State, while the compliance costs and operational risk sit primarily with businesses, particularly SMEs. There has been no proposed benefit to business, this proposal appears to be cost additive only.

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

Our primary objection is based on principle: interference with core business operating systems in lawfully run enterprises should be treated as exceptional, not routine. In practice, businesses often need to amend a small number of invoices during the VAT-period or year for legitimate reasons (credit notes, write-downs, bad

debt provisioning, corrections, customer disputes). If returns have already been submitted, subsequent adjustments could create cost, complexity and potential mismatch issues, increasing the risk of errors and disputes despite good-faith compliance. Businesses have already absorbed significant increases in periodic reporting requirements, including enhanced payroll reporting on a monthly basis. There is a broader policy question here: if the State wishes SMEs to expand and create jobs, it must avoid layering further recurring compliance obligations that treat entrepreneurs as presumptively non-compliant. The State's capacity to fund public services ultimately depends on private sector economic activity; policy should reflect that reality.

**8. 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?**

Further expansion of State control into private accounting and financial systems raises serious concerns about proportionality and the presumption of compliance. A functioning free market requires trust, supported by verification mechanisms. Ireland is already a high-compliance jurisdiction. What benefits accrue to economic operators and/or the state through the introduction of eWHT? Revenue and other bodies are fully entitled to audit, investigate, and sanction non-compliance. Robust penalties already exist and should be applied to non-compliant operators. However, it is not appropriate to treat all businesses with the same level of suspicion as the least compliant. If the policy goal is to improve compliance outcomes, we believe a more proportionate approach would be achieved by: A) Increasing targeted audits (or sampling) of companies that file management accounts under audit exemption B) Reviewing companies that repeatedly move inside/outside small business thresholds/exemptions C) Increasing focus on unincorporated sole traders operating outside company structures

**9. 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?**

Public procurement represents approximately 15% of economic activity across many EU Member States, and while this is lower in Ireland due to the scale of multinational activity, procurement policy changes can still have significant system-wide effects. Any measure that increases administrative burden will likely:

Increase suppliers' cost-to-serve public clients    Make public sector tendering more unattractive, particularly for SMEs    Reduce competitive tension between tenderers (already a concern) Suppliers frequently cite administrative overhead as a primary reason for not bidding into the public sector. The State competes with the private sector for supplier capacity; public contracts often involve lower margins and less attractive commercial terms. Concentration is already high: a relatively small cohort of firms accounts for the overwhelming majority of public contract awards. Policies should therefore be developed incrementally and with careful impact assessment ("make haste slowly"). On PSWT specifically, it creates a material working-capital burden for newer suppliers in particular, as they absorb a cashflow hit in the first 12-18 months of supplying the State. While this may normalise over time, it effectively means the State is financed from suppliers' working capital—primarily SMEs. This is especially concerning given the long-term tightening of SME credit availability and the need to preserve resilience and shock-absorption capacity.

**10. Please indicate if you currently operate:**

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

PSWT generally has limited long-run impact once a supplier has been established in public contracting, as the accumulated credit is offset against Corporation Tax at year end. Ireland's payment performance is often broadly aligned with 30-day norms (with exceptions), which supports liquidity planning. However, PSWT still creates a working-capital gap during the year: SMEs must remit VAT in full on schedule while carrying the PSWT balance on their own balance sheet until year end. This is effectively funded from working capital and can be more challenging for smaller and growing firms. This working capital impact is why the State and Revenue must robustly stand up a business case to justify imposition.

**12. 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.**

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

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

Our understanding is that PSWT serves two primary functions: It allows the State to retain funds at source and credit them against future tax liabilities (e.g., Corporation Tax), thereby reducing collection risk. It mitigates risk associated with under-declaration or non-remittance of VAT by non-compliant operators, as the State retains a portion of the VAT element at source.

**15. 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?**

We have significant concerns regarding State overreach and the long-term consequences of embedding such capabilities into compliance systems. The key principle is proportionality: the fact that the State can implement a measure does not mean it should. Proposals should be assessed explicitly for whether they reduce competition, reduce freedom of enterprise, or restrict choice. Direct integration of Revenue/tax systems into a company's finance systems raises material questions regarding governance, safeguards, and the acceptable limits of State intrusion into private enterprise operations.

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

The nature of this question is difficult to ascertain: it implies there is opportunity or private sector gain in a higher level of regulation which generates a reduction in positive cash flow. Software providers supplying compliance systems would benefit, but beyond that, this is a zero-sum proposal that transfers risk to compliant operators. Embedding State-linked integrations may also:

|                                                 |                                                                       |                                                                                                                                          |
|-------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Make system migration more difficult and costly | Restrict innovation and competition in the accounting software market | Increase dependency risks, particularly given wider concerns about reliance on a small number of overseas (including US-based) platforms |
|-------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|

At present, the upsides appear largely concentrated with the State, with limited clear benefit to businesses.

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

This represents yet another cost and compliance burden on SMEs at a time when net margins—particularly in B2C sectors—are already under pressure due to cumulative regulatory and cost increases (e.g., ERR, auto-enrolment, statutory sick pay, minimum wage adjustments). If additional compliance investment is being contemplated, SMEs would be better served by supports and incentives to prioritise cybersecurity and operational resilience, rather than additional mandatory integration costs.

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

As a trade association, we make a negligible number of such payments, but many of our members would be materially affected.

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

Members use the commonly adopted SME accounting and finance systems, including (non-exhaustive): Xero, QuickBooks, Big Red Cloud, Surf, Sage, Zoho, and similar platforms. Payment providers commonly include Stripe, PayPal, Worldpay, and others.

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

Members use a range of payroll solutions, including ERP-based payroll, dedicated payroll platforms, and third-party payroll providers. Systems commonly encountered include Brightwater, Zellis, Core, and Strandum, among others—often dependent on employer size and whether payroll is outsourced.

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

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

Not possible to quantify at this point.

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

There are may be sectoral justifications for RCT, but revenue has yet to communicate a justification for PSWT.

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

Our understanding is that PSWT serves two primary functions: It allows the State to retain funds at source and credit them against future tax liabilities (e.g., Corporation Tax), thereby reducing collection risk. It mitigates risk associated with under-declaration or non-remittance of VAT by non-compliant operators, as the State retains a portion of the VAT element at source.

**25. 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?**

**26. 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?**

**27. 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?**

**28. 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?**

**29. 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?**

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

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

We do not understand the basis of this question: what financial/cashflow/working-capital benefits does Revenue expect to flow from eWHT, so that operators can quantify them?

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

We do not support the proposal

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

We do not support the proposal

**34. 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)**

We do not support the proposal

**35. What supports from Revenue would be of most benefit to you in transitioning to the new regime? (Select a maximum of 3)**

We do not support the proposal

**36. 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?**

We do not support the proposal