

[Via email: ewht@revenue.ie]

**Office of the Revenue Commissioners
The Department of Finance**

30 January 2026

Subject: eWithholding Tax Consultation – Construction Industry Federation views on proposed modernisation of Relevant Contracts Tax (RCT)

Dear Sir or Madam

Background

By way of introduction, the Construction Industry Federation ('CIF') is the national representative organisation for Ireland's construction sector. We represent companies of all sizes across building, civil engineering, mechanical and electrical, home building, and specialist contracting, as well as supply-chain firms. Our mandate is to promote a safe, sustainable, compliant, and competitive industry and to support the delivery of essential housing and infrastructure. CIF provides policy advocacy and technical input, economic and regulatory analysis, guidance on procurement and contracts, industrial relations and employment supports, health and safety leadership, and skills and training services. We work closely with various Government departments and agencies, including Revenue, to ensure that tax and regulatory frameworks are effective, enforceable, and proportionate, facilitating high levels of compliance while supporting productivity and growth.

CIF's response to RCT eWithholding tax consultation

CIF welcomes the opportunity to provide input on the joint consultation on modernising of e-withholding processes. Many of our members are in scope of the operation of RCT, whether as a Principal Contractor, a subcontractor or both. The intent of the modernisation to reduce administrative burden for taxpayers is welcomed. However, based on feedback from our members, we have a number of significant reservations about elements of the emerging eWHT direction as it relates to RCT.

Our key concerns relate to the following four key themes:

1. Withholding rates and cash-flow

A central concern from our members is the various references in the consultation documentation to the potential displacement of the existing 0% RCT rate by a single flat rate of withholding for corporates. The 0% authorisation is a fundamental cornerstone of the RCT regime and from the perspective of the construction sector, it is an essential aspect that must be retained in any modernisation. The 0% rating is an acknowledgement by Revenue that many taxpayers in scope of RCT are compliant with all Revenue requirements and as such do not require any withholding to ensure that pay and file obligations are met.

To remove the 0% rating would create persistent working-capital strain across the sector. Many construction businesses across all segments of the sector operate on the basis of tight margins and working capital. Businesses sequence cash flows to meet material, labour, and subcontracting costs. The deduction applies to the invoice amount and therefore subcontractors on any rate above 0% would have money that they have paid for all elements of their costs (materials, labour, preliminaries, etc) deducted. This would have significant implications: i.e. a subcontractor on 20% deduction would have to pay Revenue 20% of the cost of materials needed to complete a project. As withholding applies to the gross invoice, subcontractors on non-zero rates face deductions on all costs, including materials and labour. This creates significant barriers to entry for new firms, hindering the industry's ability to deliver essential national infrastructure.

Removing the 0% rating for RCT would distress cash flow in compliant businesses in a way that is disproportionate to the amount and the timing of relevant tax liabilities. In our view, retaining the 0% RCT rate is essential, and any recalibration of other RCT bands (currently 20% and 35%) and PSWT band should materially reduce withholding rates applicable, rather than increase it or shift to a single rate format. This would allow Revenue to maintain a lever in encouraging voluntary compliance by subcontractors, without risking putting companies out of business or discouraging foreign contractors from undertaking projects in Ireland.

The move to a Personalised Deduction Rate for non-incorporated businesses may also give rise to significant challenges. Many non-incorporated businesses have their own employees, subcontractors and material costs to pay in order to deliver services. If rates of withholding are applied based on an individual business owner's personal income tax position, this would create concerns from a privacy perspective, whereby effectively it would be clear what level of income a particular person had. Additionally, PDRs would likely be overstated for any taxpayer who does not provide Revenue with close to real-time details of their business costs and deductions –

meaning some sole trader businesses could move from a current 0% rate to a 48% rate of withholding. Personal tax returns are currently completed and relevant taxes paid on an annual basis, and this is on a statutory footing. Requiring taxpayers to engage close to real time with Revenue requiring their business expenses would likely require significant tax advisor input and be disproportionate to the aims of the regime.

2. Systems Integration

CIF supports the modernisation goal of leveraging technology where appropriate and reasonable. However, a “one-size-fits-all” in the form of an API-prioritised, or ‘API-only’ model would not be workable for the sector, and our members have significant concerns about the proposal in this regard. Construction businesses span a full spectrum of technology penetration, from companies and groups operating sophisticated ERPs to others with minimal, or bespoke tools. Additionally, the definition of Principal Contractor encompasses certain payments by individuals in a private capacity for construction services, where they are connected to a construction company. Individuals operating RCT as private taxpayers will not have access to an ERP or finance system integration. Equally many in the sector rely on agents to assist with their tax filing requirements, given resource or knowledge constraints. To be clear however, not having access to or using technology is not an impediment to RCT compliance currently and there is strong engagement across the sector with RCT obligations and real-time compliance. Revenue should not implement a change to reporting which provides a favourable solution to one category of taxpayers (those with access to or budget for technology) while disenfranchising others who do not have such resources or need for same more broadly.

Furthermore, we have concerns with API reliability and risks of penalties arising for technology failure or errors. We request that a durable, fully supported manual ROS pathway be maintained in parallel with any integrations Revenue may establish in ERPs, with explicit recognition and retention of ROS agent roles (which by their nature sit outside ERPs/finance systems). The system design should not create a two-tier regime or penalise businesses that reasonably cannot, or choose not to (for example due to cost), adopt new or additional finance technology to facilitate direct integrations.

The industry's inherent nature, characterised by a variety of sectors, results in a high proportion of very small or micro companies. A fair and simple operating system is essential to encourage compliance and, ultimately, benefit our compliant members. Conversely, an overly complex system would likely discourage participation.

3. Existing Compliance and Penalty Framework

The current penalty framework for RCT is widely viewed as disproportionate. Members provided feedback of experiences where Revenue caseworkers applied rigid interpretations of the RCT legislation to complex fact patterns, despite the legislation and published guidance not directly covering the nuances or types of services. Equally scenarios where late notifications offered no practical route to set-off the penalties against any tax charges for example. The penalty and enforcement regime is punitive and disproportionately penalises taxpayers who proactively bring compliance matters to Revenue's attention e.g. Unreported Payments. We urge therefore that consideration be given as part of Revenue's modernisation, not just to the technology aspect of reporting, but to a recalibration of penalties to target the penalties onto wilful non-compliance, accompanied by reasonable-care defences and clear incentives for voluntary self-correction without financial exposures. Aligning RCT with broader self-correction principles would promote compliance without inflicting outsized penalties for good-faith errors, especially those which don't create tax underpayments from Revenue's perspective.

Timelines around RCT and VAT refunds and offsets must also be improved if the system is to be workable. While offsets can be timely, refunds are often slow, and triggering repeat Revenue aspect queries, e.g. for construction sector companies in a VAT refund position. Long periods can elapse before case assignment and resolution before refunds are ultimately issued. This creates sustained cash-flow compression, and any focus by Revenue on changing RCT and PSWT rates will likely exacerbate this further, given there will be more amounts withheld requiring refund. Modernisation must be matched by Revenue enhancing its service standards for rate determinations and refunds, resourcing to meet those standards, and clear reconciliation rules to prevent double funding where preliminary tax and withholding timelines diverge.

A clear distinction must be made between construction businesses and professional services firms regarding Professional Services Withholding Tax (PSWT). These sectors operate on vastly different business models; while professional services typically enjoy higher margins, construction contractors often operate on margins below 10%, or even in the low single digits. Applying a uniform withholding rate to gross turnover is impractical for the construction sector, as it would create excessive, chronic refund positions.

4. Revenue Support and Guidance

As part of the feedback received by CIF from members in response to this consultation, members also highlighted concerns regarding clarity and consistency in Revenue interpretation. Our members seek more accessible and detailed Revenue guidance covering practical examples relevant to the sector as well as ability to proactively validate views on RCT treatment of specific services with Revenue, ideally without formalised submissions being required to the Revenue Technical Service.

Where Revenue makes a determination, it would be useful to have examples included in the Revenue guidance for RCT, similarly to the detailed guidance currently in the PSWT manuals. It may also be timely for Revenue to consider some non-intervention sectoral education engagements, to provide opportunities for taxpayers to attend seminars on RCT and upskill their staff on relevant topical matters. CIF has partnered with Revenue in the past during previous modernisation processes and would be happy to do so again.

Recommendations

The Relevant Contracts Tax regime currently in place has a number of significant challenges for the construction industry, some of which are mentioned above. Given current imperatives around facilitating construction and development activity, it is important that no further limitations or burdens are placed on the industry. While always recognising the validity and importance of appropriate and timely tax collection and reporting, burdens placed on payers for services and recipients of payments must not be disproportionate in terms of resources, time and cost.

We recommend a published roadmap allowing further feedback and consultation in particular regarding any proposal to changes to payment notifications and withholding rates.

Once further consultation has been undertaken with the sector, this will allow Revenue and the Department of Finance to design a solution which recognises the differences in resources and systems available to taxpayers and crucially ensures that withholding does not damage the sectors ability to function and deliver on crucial construction projects including housing, infrastructure and transport. We also ask for explicit confirmation that advisors can continue to operate within the system on behalf of businesses that rely on outsourced compliance support.

CIF supports modernisation that is proportionate, operationally feasible, and anchored in legal and administrative certainty. For RCT, that means retaining the 0% rate, materially reducing withholding rates where appropriate, preserving manual ROS operation alongside integrations, recalibrating penalties, strengthening refund service standards, and clarifying the scope of RCT through better and more detailed Revenue guidance. We would welcome the opportunity to engage further with Revenue and the Department of Finance in regards to the proposed RCT modernisation framework. We would recommend that Revenue does not proceed with engagement with software providers until all relevant details have been determined and worked through with appropriate industry consultation.

We wish to thank you for the opportunity to provide feedback on this important topic, and we look forward to further engagement with you on this matter.

Yours sincerely,



ANDREW BROWNLEE
CHIEF EXECUTIVE OFFICER