



eWHT – Joint Public Consultation by Department of Finance and Revenue

KPMG response

January 2026



Private and Confidential



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eWHT – Joint Public Consultation by Department of Finance and Revenue

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30 January 2026

Dear Sirs,

eWHT – Joint Public Consultation by Department of Finance and Revenue

KPMG is pleased to respond to the joint Department of Finance and Revenue consultation on a proposed new electronic withholding tax (eWHT) system. KPMG is the largest provider of business taxation advice in Ireland. We have drawn on our experience of providing advice to businesses across a range of sectors to provide comments to the consultation.

We believe that a tax regime that is free from undue complexity is essential to reinforce Ireland's position as a premier destination for business. While the introduction of eWHT will bring a number of benefits in terms of automation and reduction of the risk of errors, certain aspects of the current proposals give rise to significant concerns. These are reflected in the recommendations that we have made in this submission.

We hope that you find our submission useful as your respective departments continue their important work in framing tax policy choices for Ireland.

Should you wish to discuss any aspect of this response, the point of contact for KPMG in relation to this submission is Colm Rogers. Colm's details are: Email: colm.rogers@kpmg.ie; Direct telephone: +353 1 410 2166.

Yours sincerely,

Orla Gavin

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Executive Summary

We welcome the Department of Finance and Revenue's commitment to engaging constructively with stakeholders on the proposed introduction of eWHT. While several elements of the proposal have the potential to modernise and streamline the withholding tax framework for certain taxpayers, we are concerned that aspects of the current design may give rise to significant unintended consequences.

In particular, we have concerns that they may undermine the commercial viability of certain businesses and activities. Of note, they may affect the viability and delivery of large-scale property and infrastructural projects which would undermine delivery of Project Ireland 2040 and Delivering Homes, Building Communities 2025-2030.

With a view to reducing such negative consequences, we have a number of recommendations:

Key recommendations:



Maintain the 0% rate of RCT withholding for entities

It is crucial that a 0% rate of RCT withholding be available for tax compliant entities. Otherwise, some significant construction and infrastructure projects may cease to be commercially viable.



Clearly define the territorial scope of eWHT

The territorial scope of eWHT must be clearly defined in legislation and exclude those not within the scope of tax in Ireland. Otherwise, the practical operation of the regime will be very challenging.



Maintain the 0% rate of RCT withholding for those with no taxable presence in Ireland

It is crucial that a 0% rate of RCT withholding be available for tax compliant non-resident suppliers (not otherwise subject to income tax or corporation tax in Ireland). Otherwise, it will become more difficult for affected Irish businesses to source vital expertise from abroad. This would have a particularly negative impact on the renewable energy sector which relies heavily on such expertise.



Changes to eWHT should not be implemented before ViDA changes have been introduced

The implementation of eWHT will represent a very significant change for many businesses (particularly platform operators). It will be important that there is an appropriate lead time and that account is taken of the existing requirement to introduce the EU ViDA measures. Affected taxpayers would also welcome the publication of a comprehensive roadmap.



Individual taxpayers should be allowed to avail of current preliminary tax options in the calculation of Personalised Deduction Rates (PDRs)

The current options for calculating preliminary tax are very important for taxpayers. We recommend that individual taxpayers be allowed to retain the current preliminary tax options, with a PDR calculation based on the option chosen, where applicable.



A Personalised Deduction Rate should be capped at 20%

We suggest that an individual's PDR be capped at 20%.



eWHT should not apply to DAC7 excluded platform operators

Platform operators already deemed to be outside the scope for DAC7 should remain outside the scope eWHT.

Overarching concerns

The proposals for the introduction of eWHT are wide-ranging, encompassing Relevant Contracts Tax (RCT), Professional Services Withholding Tax (PSWT) and withholding taxes to be levied on payments routed through DAC7 platform operators. The consultation webpage also indicates that the system is designed to be scalable.

The proposals reflected in the eWHT survey may have far reaching consequences for many businesses, impacting the way in which these businesses operate. The consequence of this may be that certain businesses or activities cease to be commercially viable. We have outlined general concerns we have regarding the proposals below. Additional concerns, specific to RCT and platform providers, are addressed in the subsequent sections of this submission.

Financing impact

The introduction of eWHT will result in the acceleration of tax payments for affected businesses. In many cases, this will give rise to a funding requirement for those businesses, which may not be readily available, and may incur a funding cost. This may adversely affect the viability of some businesses.

It is proposed that tax withheld under the new eWHT regime will be automatically set against an individual's preliminary income tax liability. This would take away the benefit of the current preliminary tax options for taxpayers (currently, an individual can base their preliminary tax on 100% of the prior year's tax liability, 90% of the current year's tax liability or 105% of the pre-preceding year's tax liability). In our experience, these are very important options for taxpayers.

Personalised Deduction Rates (PDRs)

Based on the materials published in connection with the consultation, we understand that Revenue will leverage technology to generate PDRs for affected individuals based on the data already available to Revenue and information to be provided by the individual via an app.

We understand that an individual's PDR will take account of a range of factors, including profitability, and will be dynamic in that it will take account of additional data points as they become available (for example, when a taxpayer provides further detail regarding deductible business expenses). Our understanding is that, depending on the relevant facts, an individual's PDR could range from a low rate to a high rate, but is not expected to be 0%.

We have a number of concerns with the PDR proposal:

- The inability to qualify for a 0% rate of RCT will introduce a financial burden for many contractors. This is considered in more detail on page 10.
- Depending on the trade or industry a taxpayer operates in, payments received throughout the year might not necessarily follow a linear pattern. As a result, the PDR allocated to an individual may be distorted.

For example, those working in seasonal industries would experience irregular payments from month to month. If the proposed PDR tool calculated an individual's PDR based on payments received in the first month of the year, which happened to be an unusually profitable month, for example, this could result in the

application of an excessively high PDR to subsequent payments. That could significantly impact the individual's ability to manage their cashflows, potentially impacting the viability of their business.

- We recommend that an individual's PDR be calculated by reference to the preliminary tax option chosen by each individual taxpayer. Alternatively, an upper limit with regard to an individual's PDR, which should not be set above 20%, could be implemented. To set a marginal effective PDR in circumstances where an individual does not furnish additional information to Revenue on a real-time basis with regard to expenses, or for those who might not necessarily receive the same level of payments throughout the year, would unfairly penalise such taxpayers and negatively discriminate against this type of business.
- The provision of an individual's PDR to their customer may enable the customer to draw inferences (with respect to profitability, etc.) from the particular PDR assigned. This could potentially impact commercial negotiations between the parties. For example, a high PDR could suggest a higher net profit margin than the customer expected. Consideration could be given to capping the PDR at the standard rate to limit that potential risk.

Furthermore, there may be potential GDPR issues that would need to be considered.

Territorial scope of eWHT

The territorial scope of eWHT has not been addressed in the materials issued to date. It will be essential for the effective operation of eWHT that the territorial scope is clearly set out in the law.

Without clearly defined territorial rules, designated withholders may struggle to determine whether eWHT applies to cross-border transactions, non-resident

recipients, or services performed partly inside and outside Ireland. Ambiguity in scope increases the risk of inconsistent treatment, over-withholding or under-withholding, disputes with counterparties, and unintended non-compliance.

It will be important that payments falling outside the scope of income tax or corporation tax (e.g. payments made to a non-resident without an Irish permanent establishment) are not brought within the scope of a flat eWHT. Otherwise, Irish businesses procuring services from foreign suppliers, not generally within the scope of Irish tax, will be placed at a significant commercial disadvantage. Affected foreign suppliers will be less inclined to supply into Ireland where they have more straightforward alternatives.

Unless there are clear, easy to implement territorial rules, substantial challenges will arise for platform operators dealing with a high volume of sellers.

Implementation cost

The introduction of eWHT by way of an API-driven solution should, for many businesses, simplify compliance by automating reporting and payments, significantly reducing manual effort and the risk of error. However, it is important to note that this will come with an implementation cost for businesses.

A large cohort of taxpayers will need to implement changes to their operating procedures and purchase / upgrade their technology solutions. Affected taxpayers will need to be allowed a significant lead time to affect those changes. As a first step, a comprehensive roadmap will need to be published so that they can put appropriate plans in place.

We recommend that any changes be introduced no earlier than the implementation of the VAT in the Digital

Age (ViDA)¹ package measures. This should ensure that the cost and disruption for business arising from the implementation of both ViDA and eWHT are minimised. Revenue have indicated that Phase One of Ireland's

implementation of the ViDA measures will begin in November 2028, with the full suite of measures not being fully implemented until July 2030.

¹ In April 2025, the European Council formally adopted a series of measures to modernise and streamline the EU VAT system (the VAT in the Digital Age (ViDA) package). Key actions proposed under the ViDA package include a move to real-time digital reporting based on e-invoicing for

businesses operating cross-border in the EU, updated place of supply rules for platform operators offering passenger transport by road and short-term accommodation services, and the introduction of a single VAT registration across the EU.

Additional comments specific to Relevant Contracts Tax (RCT)

The key RCT change referenced in the material published by Revenue is a proposal to move to a personalised rate of RCT withholding for individuals and a single flat rate of RCT withholding for entities. This would replace the current tiered system of 0%, 20%, and 35% RCT rates of withholding.

Currently, tax compliant taxpayers falling within the scope of the RCT regime can qualify for a 0% rate of withholding, where they satisfy a number of conditions. However, it appears that implementation of eWHT would involve removal of the ability to access the 0% rate of RCT, regardless of the compliance history or risk profile of the contractor.

Removal of 0% RCT rate

We have grave concerns that removal of the ability to qualify for a 0% rate of RCT will have a profound adverse impact on many businesses, particularly those engaged in construction and the delivery of infrastructure. This could frustrate delivery of the Government's ambitious goals for infrastructure² and additional housing³.

Removal of access to the 0% rate of RCT would have a profound adverse impact on many businesses:

- RCT withholding is applied to gross payments, not taxable profits. Therefore, removal of access to the 0% RCT rate would impose a significant additional funding burden on those businesses, which may not be readily available.
- The additional funding burden will come at a cost for affected businesses who will need to finance RCT deductions. Many operators in

the construction industry trade with very tight profit margins. The resulting increase in their cost base would lead to construction price inflation. This would adversely impact the commercial viability of some projects and businesses, and the ability to deliver on housing and infrastructure targets.

- Many large infrastructure projects (for example, those in the renewable energy sector) require input from specialist contractors based abroad. Currently, such specialists can avail of the 0% rate of RCT where they can demonstrate that they are tax compliant in their home country.
- Removal of access to the 0% RCT rate may discourage some foreign contractors from supplying their services into Ireland. Many may not wish to incur the cost and administrative burden of funding RCT deductions and then seeking a refund. This could adversely impact the

² Project Ireland 2040

³ Delivering Homes, Building Communities 2025-2030: An Action Plan on Housing Supply and Targeting Homelessness

delivery of important infrastructure projects.

This would have a particularly negative impact on the Irish renewable energy sector, and the country's ability to meet its renewable energy commitments⁴. Removal of the 0% RCT rate would very significantly impact the supply chain costs of renewable energy components (wind turbines, solar panels, etc.), as specialist knowledge from abroad is generally required to be present on site in Ireland to install the components. Many of these specialists may not wish to incur the cost and administrative burden of funding RCT deductions and then seeking a refund. As it stands, it often takes 18-24 months to obtain a refund.

- Many construction projects are long term in nature. Removal of access to the 0% RCT rate would have a significant impact on live contracts at the time that any such change is made. This would have a sizeable commercial impact where the commercial assumption was made that the 0% rate of RCT could be availed of, from a pricing perspective.

For the reasons outlined above, it is of vital importance that the possibility of availing of the 0% rate of RCT be retained under eWHT. We also believe that the availability of the 0% rate of RCT plays an important role in incentivising tax compliance, which should not be underestimated.

Administrative burden

Many businesses within scope of RCT may not process large volumes of payments within scope of RCT and may not currently need to utilise complex financial software packages to manage their RCT obligations. The requirement to implement new technology that can be integrated with Revenue systems (APIs) could represent a significant cost for such taxpayers.

In addition, the move to real-time or near real-time submission of expense invoices for smaller individual taxpayers to lower their PDR could be overly burdensome as they will either have to submit the information themselves or engage an accountant more frequently to do so.

Accordingly, we suggest that as part of the implementation of eWHT, Revenue should include an online form option similar to the form available for PAYE real-time.

⁴ Ireland made legally binding renewable energy commitments, to be achieved by 2030, in the Climate Action Plan.

Additional comments specific to Platform Operators

The extension of eWHT to platform operators will have a fundamental impact on their businesses. The magnitude of the change will be very substantial, when compared with taxpayers who already operate a withholding tax, e.g. RCT or PSWT.

Business model impacts

The introduction of eWHT may have an adverse impact on the financial performance of platform operators. Suppliers may choose to bypass platform operators and instead transact directly with customers through their own websites.

Such behavioural shifts could reduce platform usage, undermine established business models, and distort normal commercial relationships within the marketplace.

Implementation challenges for platform operators

Introducing an obligation for platform operators to withhold tax from payments routed through their platforms will give rise to significant practical challenges. Some of these challenges include:

- A question arises as to which platform operators will be within scope and what will constitute the “routing of a payment”.

Some platforms use the services of a third-party payment processing system, meaning that the platform operator never has direct access to the payments routed through the platform.

Imposing an obligation for certain

platform operators to withhold tax will create an unlevel playing field.

- Given that eWHT is intended to apply only to payments for services, significant complexities will arise for transactions involving a mixed supply of goods and services.
- At present, the territorial scope of the eWHT proposals is unclear. It will be important that service providers that otherwise would not be in scope of Irish income tax or corporation tax are not brought within scope of eWHT. At a practical level, this will place a significant administrative burden on platform operators.

Implementation costs for platform operators

It will be important not to underestimate the level of investment and resources that will need to be deployed by platform operators if eWHT is introduced.

Introduction of eWHT will give rise to significant technical challenges for platform operators, particularly where existing systems were not designed to support tax withholding at source.

Operators may need to re-engineer payment flows to calculate, deduct and report withholding tax accurately, often across high-volume, real-time transactions and multiple user types. This can require

complex data mapping, enhancements to onboarding processes to capture and validate tax information, and changes to settlement, reconciliation and reporting engines.

Integrating with Revenue systems, whether via APIs or other channels, also demands robust controls, security, and ongoing monitoring to manage validations, errors and regulatory updates. For many platforms, these changes must be delivered without disrupting core operations or user experience, while ensuring compliance across legacy systems, third-party providers and scalable, future-proof architectures.

Also, it is important to bear in mind that platform operators already have to commit scarce resources to cope with the introduction of the ViDA package.

Misalignment with other EU Member States

The introduction of eWHT measures in Ireland for platform operators would diverge significantly from the approaches adopted by other EU Member States.

Where withholding obligations have been introduced elsewhere in the EU, they have been applied in a very targeted and limited manner. For example, Italy operates a narrowly scoped withholding tax regime

that applies solely to platform operators facilitating short-term rental accommodation services. Other EU Member States that have considered broader withholding obligations ultimately decided against implementation due to the associated complexity, administrative burdens, and operational costs. Sweden, for instance, chose not to introduce a withholding tax regime for its gig economy for these reasons.

As there is no EU mandate for this measure, implementing it unilaterally would diminish Ireland's attractiveness as a location for platform operators.

Apply DAC7 exclusions

If eWHT is introduced for platform operators, the exclusions embedded within the DAC7 reporting framework should extend to the eWHT regime. Platform operators already deemed to be outside the scope for DAC7 should remain outside the scope eWHT.

Aligning the scope of eWHT with established DAC7 exclusions would promote consistency and avoid the imposition of disproportionate administrative burdens on platforms whose activities have already been assessed to be low-risk or non-reportable under EU standards.



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