ACCOUNTANCY | PLANNING | ADVICE



Forestry: Tax Update

Presented by:

Tim Ryan, FCCA 067 32355
Partner, Nenagh timryan@ifac.ie

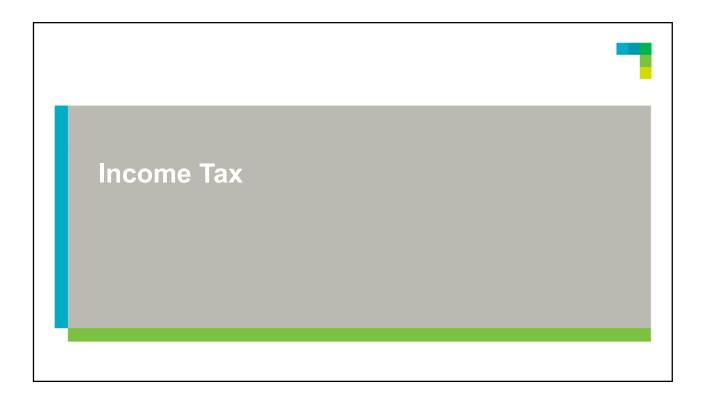
Ifac shall have no liability for any loss or damage howsoever arising, be it negligence or otherwise, as a result of use or reliance upon the information in this presentation. While all reasonable steps have been taken to ensure the accuracy of the presentation, amendments may prove necessary once Finance Bill has been published. Each party should obtain independent professional advice prior to committing to any tax transaction

Agenda



- Income Tax
- Relevant Contracts Tax
- Capital Gains Tax
- Stamp Duty
- Gift & Inheritance Taxes
- Value Added Tax





Income Tax Exemption Conditions Profits/Gains From OCCUPATION of woodlands Managed on a COMMERCIAL basis With a view to realisation of profit Must be included in Annual Tax Return

Christmas Trees

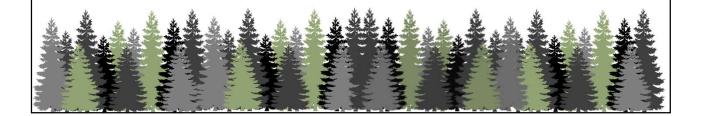
- UK position Case Law
- Woodlands implies production of timber
- Christmas Trees implies "Nursery"
- Nursery not woodlands
- Irish position to date
 - Christmas Trees Qualify for Exemption



Woodlands Tax Exemption



- Not strictly correct
- Profits liable to PRSI
- Profits liable to Universal Social Charge



Reducing Exposure to USC & PRSI on Woodland Income



- Replanting Replanting of trees is a revenue expense Wilson-Wright v Connolly (1976)
- Cost of thinning etc.
- Insurance

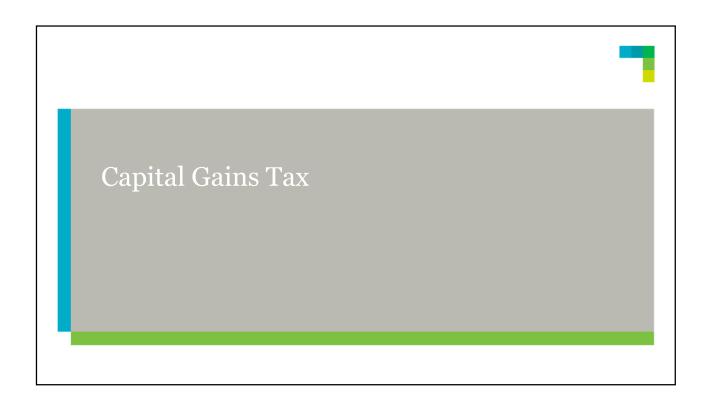
7 Ifac.ie

Relevant Contracts Tax

Relevant Contracts Tax & Forestry

- Forestry Operations
- Obligation to deduct tax from sub-contractors
- 0%, 20%, 35%
- Who is the principle contractor?

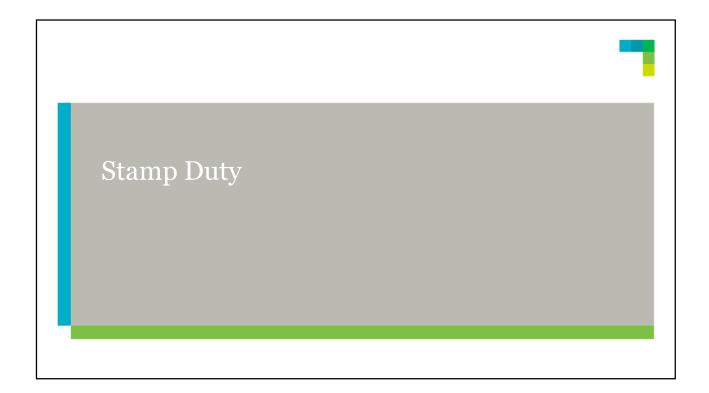




Capital Gains Tax



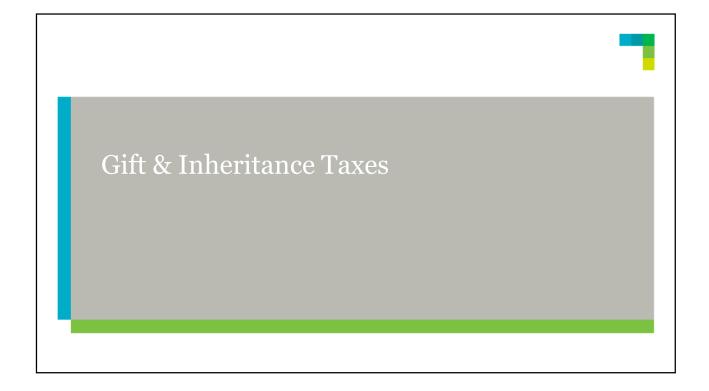
- Sale of trees exempt for individuals
- Beware of compensation cases, e.g. ESB lines, TAC case 2017
 - Esb had right to erect a pylon
 - Case lost on basis that there was no disposal of underlying lands.
- Sale of land and trees
 - Trees exempt
 - Land taxable



Stamp Duty



- Land liable to Stamp Duty
- Trees not liable to Stamp Duty "growing on <u>substantial part</u> of the land" -75%. May need a separate deed for forestry land to qualify
- Necessary to split the cost
- 7.5% rate
- Agreement between vendor/purchaser
 - Purchaser's stamp duty exemption amount
 - · Seller's capital gains tax trees exempt amount



Gift & Inheritance Taxes



- Trees growing on the land qualifies as "agricultural property".
- Agricultural property qualifies for "Agricultural Relief"
- Agricultural Relief allows 90% write-down in value subject to asset test
- Trees qualify for "Agricultural Relief" without asset test but not Active Farmer Test.
- Trees with market value of €1m
 - Taxable value €100K



15 Ifac.ie

Gift & Inheritance Taxes



Agricultural Relief

- Trees growing on the land qualifies as "agricultural property".
- Agricultural property qualifies for "Agricultural Relief"
- Agricultural Relief allows 90% write-down in value subject to asset test.
- Trees qualify for "Agricultural Relief" without asset test but not Active Farmer Test.
- Trees with market value of €1m
 - Taxable value €100K



Gift & Inheritance Tax

Business Relief

- If cant meet asset test for agricultural relief on underlying land could look at business relief.
 - Forestry established 5 years before transfer
 - Must continue business of forestry for 6 years afterwards.





Value Added Tax



- Forestry deemed to be "farming activity"
- "Farming Activity" of vat unregistered farmer qualifies for 4.8% flat rate refund.
- "Normal" farming activity carried on by a "normal" farmer the farmer can remain vat unregistered.
- "Normal farmer" a person who engages in agricultural production on land he owns or occupies and whose turnover from non-agricultural activities does not exceed €37,500 per annum.
- Being forced to register
 - Carrying on another vatable business e.g. pub etc.

19 Ifac.ie

VAT Refunds: Unregistered Farmer



- VAT 58
- Vat refund on capital costs
- Forestry is farming
- · Vat refund on fencing and roadways- new not repairs!
- Invoice must be in the name of the farmer

VAT: Inclusive/Exclusive Pricing



	VAT Inclusive	VAT Exclusive
Cash to farmer	100,000	104,800
VAT (4.8%)	4,580	4,800
Cost to merchant	95,420	100,000

- It is vitally important to speak with the merchant prior to the deal being struck.
- For vat unregistered farmer the difference is €4,800 on each €100,000 sale.

21 Ifac ie

VAT Rates: VAT Registered Farmer



- Timber Sales 23%
 - For both cut or standing timber (including Christmas trees)
- Firewood 13.5%
- Forest and Land 23%



ACCOUNTANCY | PLANNING | ADVICE



Presented by:

Tim Ryan, FCCA Partner, Nenagh

067 32355 timryan@ifac.ie



Ifac shall have no liability for any loss or damage howsoever arising, be it negligence or otherwise, as a result of use or reliance upon the information in this presentation. While all reasonable steps have been taken to ensure the accuracy of the presentation, amendments may prove necessary once Finance Bill has been published. Each party should obtain independent professional advice prior to committing to any tax transaction