

# farm partnership

# Time to move if forming a Registered Farm Partnership

Registered Farm Partnership (RFP) is an excellent arrangement to bring a young person into the family farm business without having to immediately sign over the land. Keep an eye on the February 11 deadline.

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**T**here are already more than 3,400 RFPs registered with the Department of Agriculture, Food and the Marine (DAFM). RFPs between family members (intra-family) are most common in Ireland, but there are also inter-farm RFPs, where non-family members come together to form a collaborative business arrangement.

RFPs provide a pathway for succession within a family; they give all members an input into day-to-day financial and physical management of the farm business; and they generate many social and financial benefits.

RFP applications can be submitted at any time during the calendar year. If you plan to submit an application to enter a RFP in 2022 and you wish to have a Registered Farm Partnership Number before the Basic Payment Scheme (BPS) application deadline of the 16 May 2022, then all applications and supporting documentation for the RFP must be submitted before 11 February 2022.

There are six key steps in completing an RFP application.

## 1 Obtain a tax reference number and form a capital account

Your accountant will need to register the partnership with Revenue to obtain a tax reference number and make an annual report to Revenue using the FIRMS 1 form. This is an important, but relatively straightforward, process. It is a good idea to begin the partnership in-line with the end of the previous tax year.

A capital account for the partnership, where the initial capital contribution (value of livestock, machinery and cash) of each partner is recorded, and updated on a yearly basis, will also be created by your accountant.

Without the capital account, there would be no record of the capital



Pat and Mark Mulrooney with Gordon Peppard.

invested on the first day or over time. If there is a need to terminate the partnership, the capital account outlines what has been invested by each partner.

## 2 Setting up the Registered Farm Partnership bank account

A new RFP bank account to include all the names of the partners must be set up. All income and expenditure from the partnership should go through this bank account.

No farming transactions of the partnership should now take place through individual partners' own bank accounts. The setting up of this account can take time and early discussion with your bank is critical.

There is a one page form to be completed and stamped by the bank to verify that the bank account is set up and operational.

## 3 Establishing the herd number for use in the RFPs

RFPs can be a single herd number partnership or a multi herd partner-

ship.

### Multi-herd number partnership

Where two individuals currently have their own herd numbers and have been farming in their own right prior to the establishment of the partnership, then this will be a 'multi-herd partnership'.

No changes are required to the herd number and partners can nominate a dominant herd number to use for animal registration, herd health management etc.

The BPS application will be made under one application form using the Registered Farm Partnership Number.

Within the BPS application form, both herd number tabs will appear and lands associated with each herd number should be declared under the respective herd numbers.

### Single herd number partnership

Single herd number partnerships generally arise in a family situation where a son or daughter (with a mini-

## A successful RFP in south Tipperary

Farming in Manganstown, 10km west of Carrick-on-Suir in south Tipperary, Pat and Angela Mulrooney having been running a successful organic dairy enterprise for many years.

They are currently in the process of establishing a Registered Farm Partnership (RFP) with their son Mark before the closing date deadline of 11 February 2022.

On meeting Pat and Mark on their farm, I asked them both what their main thoughts and considerations were behind forming a RFP.

Pat explained that as we all get older, "we can't cover as much ground in a day as we would have 20 years ago, so with an increasing workload, taking time away from the farm was becoming more difficult and work life balance was becoming an issue for myself and Angela."

Pat and Angela say they don't want to retire fully from farming, but are happy to step back and remain part of the business while giving their son Mark the opportunity to become involved. He will have a significant input into the physical and financial management running of the farm business.

"We feel the RFP will facilitate a natural succession pathway for the smooth transition of the farm from one generation to the next and the added financial



benefits, such as grants/schemes and the taxation incentives, greatly helped us to make the decision," adds Pat.

Having spent years working away from the farm, Mark has developed knowledge and experiences in a professional career outside the farm gate.

"I'm very glad I took the opportunity to work away from the family farm but now

I'm ready to come home to the business," said Mark. All parties feel that the time is right to form the partnership.

To help the Mulrooneys decide if the RFP was the correct route to go, they first discussed it with their accountant.

The accountant plays a key role in establishing the RFP – they will register the new business with Revenue to obtain a tax reference number and compile a capital account and decide on a favourable profit sharing ratio for all members.

The accountant can also draft the farm partnership agreement and will complete end of year returns for the partners.

A discussion on the taxation implications of future farm transfer is also important to have with the accountant at this stage, so that there are no unexpected tax bills down the road.

Pat and Mark also spoke to their local Teagasc advisor Michael Freaney, who, along with myself, were able to advise on herd number changes, Basic Payment Scheme entitlements and other schemes/grants.

Over the last year, Mark completed his Green Certificate (Level 6 Agricultural Qualification) to qualify as a Category 2 partner (trained farmer) in the RFP.

Finally, Pat concludes: "To continue having young farmers to take over family farms it is vital to create the conditions to allow them have an interest, input and responsibility in the business. Establishing the RFP is the key first step for us as a family."

mium Level 6 agricultural qualification) is returning home to farm in conjunction with their parent(s) in a Registered Farm Partnership.

Discussions should take place with the local District Veterinary Office (DVO) and agricultural advisor about adding the son/daughter to the existing herd number.

The son/daughter is added to the existing parent(s) herd number using an ER1.1 application submitted to the local DVO.

Where there are changes to the farm business structure/change of herd number, prior notification to the relevant sections of DAFM is essential if involved with any schemes. It is important to discuss this with an agricultural advisor/consultant.

### 4 Completing the on-farm and partnership agreements

These agreements are important documents and require consultation with accountants, solicitors and agricultural advisors for their completion.

The agreements form the basis of a successful RFP, where all workings of the agreement are clearly defined and

should be very carefully drafted with expert independent advice.

All template agreements are general guidelines and should be amended to reflect each individual partnership agreement. Once the written agreement is completed and signed, it must be kept up-to-date.

Any change to the original circumstances on which the agreement was signed requires an amendment in the written agreement.

For example, in a partnership where the profit-share has been changed over the time, the written agreement must be amended each year to reflect this.

### 5 Providing supporting documentation

Please ensure the following documents are included with your application for a RFP.

- Completed application form.
- Completed bank details document verified by bank.
- A signed copy of the farm partnership agreement.
- Copy of on-farm agreement.
- Copy of folios and maps of all owned

lands.

- Copy of leases and maps for all lands leased in.
- Stamp duty certificate from Revenue for all leased land.
- Evidence of agricultural qualifications (minimum Level 6) for Category 2 partners.
- Completed checklist.

### 6 Submission of the application

Entering into a RFP should not be rushed – take the time to seek good advice from a legal, accountancy and agricultural advisory perspective. This will allow you to carefully construct a partnership that is tailored to suit your own circumstances.

Completed applications with all supporting documentation should be emailed to [farmpartnerships@agriculture.gov.ie](mailto:farmpartnerships@agriculture.gov.ie) before 11 February 2022 in order to have a RFP Number prior to the closing date for the BPS on 16 May 2022. For further information on forming a RFP, please consult the Teagasc website or contact your local Teagasc office for further information.