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FARMING TAXATION – THE AGRI TAX REVIEW

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Agri-Taxation Review

- **ANNOUNCED IN BUDGET 2014 JOINT INITIATIVE BETWEEN THE DEPARTMENT OF FINANCE AND THE DEPARTMENT OF AGRICULTURE, FOOD AND THE MARINE.**
- **PURPOSE: TO ANALYSE THE BENEFITS OF THE VARIOUS TAX MEASURES TO THE AGRICULTURE SECTOR AND THE WIDER ECONOMY VERSUS THE COSTS, I.E. VALUE FOR MONEY TO THE ECONOMY**
- **OBJECTIVE: TO ENSURE AGRI-TAX POLICY ALIGNS WITH THE OBJECTIVES SET OUT IN FOOD HARVEST 2020.**

From the Agri-Tax Review

Terms of Reference

SUGGEST ANY IMPROVEMENTS THAT CAN BE MADE TO BETTER ACHIEVE EXISTING STATED POLICY GOALS, WITH PARTICULAR REFERENCE TO FOOD HARVEST 2020 AND THE PROGRAMME FOR GOVERNMENT, THE KEY POLICY AREAS BEING:

- **ENCOURAGING AND ATTRACTING YOUNG FARMERS AND NEW ENTRANTS TO FARMING**
- *LAND MOBILITY*
- *SUCCESSION*
- *ALTERNATIVE FARMING MODELS*
- *SMART FARMING*



LAND LEASING

- **NEW IMPROVED LEASE EXEMPTION**
- **REMOVAL OF 40 YEAR AGE LIMIT**
- **EFFECTIVE ON NEW LEASES FROM 1/1/2015**
- **WHAT IS A VALID LEASE?**
- **SIGNED BY BOTH, STAMPED AND DATED**
- **COMPANY NOW QUALIFIES**



BENEFITS OF LEASING

- **INCOME TAX EXEMPTION**
- **CERTAINTY FOR LESSOR AND LESSEE**
- **TRAPS ON LEASING – UNPAID AMOUNT**
- **LIABLE TO USC/PRSI**

INCOME VOLATILITY MEASURE

- **NEW 5 YEAR INCOME AVERAGING**
- **EFFECTIVE FROM 1/1/2015**
- **TRANSITION**
- **OPTING OUT**
- **ON-FARM DIVERSIFICATION – OTHER
TRADE EG.: ARTISAN FOOD PROCESSING**
- **LOCATION MUST BE ON THE FARM**

BUDGET 2015: OTHER KEY CHANGES - STAMP DUTY

- RETENTION OF YTF RELIEF
- 6 YEAR RETENTION
- STAMP DUTY: CONSANGUINITY RELIEF ON NON-RESIDENTIAL TRANSFERS EXTENDED TO THE END OF 2017
 - BUT RESTRICTIONS TO TARGET ACTIVE FARMERS AND FROM 1 JANUARY 2016 TRANSFEROR MUST BE < 67 YEARS
- RESTRICTED TOWARDS ACTIVE FARMERS
- IF ACTIVE FARMER DEFINITION IS NOT MET CAN STILL AVAIL OF THESE MEASURES BY LEASING LAND OUT ON A LONG TERM BASIS (6 OR MORE YEARS) TO AN ACTIVE FARMER



CAPITAL TAXES

- CAT
- **AGRICULTURAL RELIEF RETAINED**
- **FOCUSED NOW ON ACTIVE FARMER (2014 F.A.)**

BUDGET 2015: ACTIVE FARMER DEFINITION AMENDED IN FINANCE BILL

- **ACTIVE FARMER DEFINITION:**
- **A HOLDER OF A MINIMUM AGRI QUALIFICATION (GREEN CERT OR EQUIVALENT) – OR ACHIEVES SUCH A QUALIFICATION WITHIN FOUR YEARS – AND FARMS HOLDING ON A COMMERCIAL BASIS FOR AT LEAST 6 YEARS**
- **OR**
- **SPENDS NOT LESS THAN 50% OF NORMAL WORKING TIME FARMING ON A COMMERCIAL BASIS FOR AT LEAST 6 YEARS**
- **OR LEASES TO ACTIVE FARMER**

CAPITAL GAINS TAX

- **RETAIN RETIREMENT RELIEF**
- **2014 F.A. CHANGES**
- **EXTEND LETTING PERIOD TO 25 YEARS FROM 15 YEARS**
- **OWNED AND FARMED FOR 10 YEARS PRIOR TO FIRST LETTING**
- **MEASURE TO ALLOW WHERE FAMILY MEMBERS TOO YOUNG TO TAKE OVER AND ALLOW PRODUCTIVE USE OF LAND**

CAPITAL GAINS TAX

- **TRANSFERS OTHER THAN A CHILD**
- **LET LAND DID NOT QUALIFY**
- **IF LET BY END OF 2016**
 - **CAN QUALIFY**



CAPITAL GAINS TAX

- ***2015 CHANGES***
- **LET LAND - CONACRE**
- **WINDOW OF OPPORTUNITY**
- **CAN BE LET FOR UP TO 25 YEARS (PREVIOUSLY 15)**
- **OWNED AND FARMED FOR 10 YEARS PRIOR TO FIRST LETTING**
- **MUST BE DISPOSED OF PRIOR TO 31/12/2016 TO AVAIL OF RELIEF**
- **IF AFTER 31/12/2016 MUST BE LEASED FOR MIN 5 TO MAX OF 25 YEARS**



FARM RESTRUCTURING

- **INTRODUCED BUDGET 2013**
- **SELL TO BUY AS PART OF RESTRUCTURING**
- **EXTENDED TO 31 DECEMBER 2016**
- **WHOLE FARM REPLACEMENT**
- **SALE AND PURCHASE**

- ***GUIDANCE NOTES NOW PUBLISHED***



STOCK RELIEF

- **RETAIN EXISTING STOCK RELIEF**
- **100% - YTF**
- **50% - REGISTERED FARM PARTNERSHIP**
- **25% - GENERAL**

(COMMENT: DUE TO EXPIRE 31/12/15)



CAPITAL ALLOWANCES

- **RETAIN EXISTING ALLOWANCES**
- **REPORT OUTLINES ALLOWANCES RESULT IN HIGHER LEVEL OF INVESTMENT**
- **ACCELERATED ALLOWANCES ON ENERGY EFFICIENT EQUIPMENT (BUDGET 2016)**

WOODLANDS

- **RETAIN EXEMPTION**
- **NEED TO LOOK AT HIGH EARNERS
RESTRICTION**

FARM PARTNERSHIP

- **REGISTERED PARTNERSHIP**
- **RETAIN EXISTING MEASURES**
- **ENSURE NO TAX DISADVANTAGE BY ENTERING**
- **COLLABERATIVE FARM MODELS**

(COMMENT: JOINT OWNERSHIP STILL AN ISSUE)

SUMMARY

- **25 KEY RECOMMENDATIONS**
- **BUDGET 2015 IMPLEMENTED A LARGE PROPORTION**
- **BUDGET 2016 WILL BE WATCHED WITH INTEREST**
- **ON GOING INFORMATION CAMPAIGN IMPORTANT**

SUMMARY – CONT'D

- **LEASING SHOULD BE ENCOURAGED TO MINIMISE TAX**
- **INCREASE SUSTAINABILITY AS ACTIVE FARMERS CAN PLAN**
- **REVIEW CASES TO SEE IF REGISTERED FARM PARTNERSHIPS CAN BE OF BENEFIT**
- **BE CONSCIOUS OF DOUBLE TEST FOR AGRICULTURAL RELIEF**
- **WINDOW OF OPPORTUNITY FOR LAND LET ON CONACRE**
- **WHERE STAMP DUTY PAYABLE WINDOW TO 31/12/2016 TO AVAIL OF REDUCED RATE**

CONCLUSION

- **THE AGRI TAX TEAM DESERVE GREAT CREDIT FOR THE INCLUSIVE WAY THE REVIEW WAS HANDLED**



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