



Poultry Tax Update -

ACA-BACK TO BASICS LEADING TO STRUCTURE

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01

Ifac and Poultry



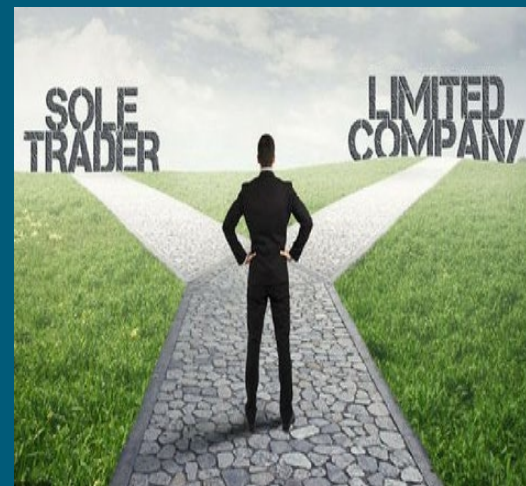
02

Climate Change Tax
Incentive -
Accelerated Capital
Allowances (“ACA”)



03

Income Tax –
Revisit the basics



04

Farming
Structures



01

Ifac & Poultry Sector

Ifac and Poultry

- 610 producers (370 Poultry Meet & 240 egg)
- Growing sector in both producers and numbers
 - 31% increase in laying hens from 2010 to 2016
- 70 new planning permissions lodged in 2018
- Circa 180 poultry clients in *ifac* – Cavan & Monaghan



Broilers



Broilers – Margins per House

Average Turnover per House	€	443,942
Average Feed Cost	€	358,460
Net Profit	€	41,397
Average Margin		9%
Margin Range		6% to 10%
Low of €22k per house to €64k per house		



Eggs



Eggs – Margin per House	
Average Turnover per House (Net Energy)	€ 176,892
Average Feed Cost	€ 73,427
Net Profit	€ 29,084
Average Margin	16%
Margin Range	8% to 19%
Low of €15k per house to €72k per house	



02

Climate Change & Tax Incentives

Climate Change & Tax Incentives



- ACA on energy efficient equipment extended to sole traders, partnerships and others from 1st January 2017
- Must carry on a trade and use the equipment for trading purposes
- The relief does not apply where the equipment is leased, let or hired to any person
- Provisions are available to the end of 2020



Accelerated Capital Allowances – “ACA”

- Capital allowances of 100% in Year 1
- To qualify;
 - the equipment must meet certain energy-efficiency criteria,
 - be specified on a list of approved products –
 - SEAI is responsible for maintaining the list with equipment falling into ten designated classes of technology, e.g. Lighting, Heating and Electricity Provision, etc. **and**,
 - be above a certain minimum amount to qualify for the increased allowance.



Accelerated Capital Allowances

The energy-efficient equipment must satisfy the following criteria:

- New equipment,
- Acquired and used for the purposes of the trade,
- In use at the end of the chargeable period for which the allowances are claimed,
- It must meet specified energy-efficient criteria,
- It must fall within specified classes of technology listed ***and***
- It must have met the minimum expenditure limits for each class of technology

Energy-efficient equipment that is machinery or plant but that has not been approved can avail of the normal wear and tear allowances (12.5% over 8 years).

How do I know it will qualify - SEAI/grant payable.



03

Income Tax – Revisit the Basics

Income Tax – Reminder of Basics



- Income Tax Rates – 20% & 40% personal rates
- Tax Bands 2020
 - *Single Person* €35,300
 - *Married One earner couple* €44,300
- Tax Credits 2020
 - *Single Person* €1,650
 - *Married Couple* €3,300
 - *Earned Income Credit* €1,500
- PRSI – Self Employed 4%





USC

- U.S.C. – Exempt If Income Below €13,000
- 0.5% to €12,012
- 2% to €20,484 (band increased from €19,874)
- 4.5% to €70,044
- 8% to €100,000
- 11% over €100,000 (non PAYE)

Capital Allowances



- Capital Expenditure – written off over a period of time
- Machinery -12.5% (8 years)
- Farm Buildings – 15% (7 years)
- ACA – Qualifying spend – 100% (1 year)



Income Tax - Tips



- Stock Relief – 25%/50%/100%
- Income Averaging – 5 years – 1 year opt out option – other trade restriction removed from 1.1.19
- Family wages – pay up to €15k
- Land Leasing – tax free income up to €40k p.a
- Succession Tax Credit - €5k p.a. for 5 years



Effective Rate of Tax



- Low Rate 28.5%
- Marginal Rate
 - *Up to €70,044 48.5%*
 - *Over €70,044 52%*
 - *Over €100,000 55% (non paye income)*





04

Farming Structures

Farming Structures



- Sole Trader
- Partnership
 - Registered
 - Non Registered
 - SRFP
- Limited Company

Sole Trader



- Most Common/Less Legalistic
- Easiest to Operate
- Taxation:
 - *Income – level at where hit high rate*
 - *Capital Tax – Normal Rules*
- Volatility measure - income averaging
- Available to all



Partnerships

- Registered Farm Partnerships (RFP) & Non Registered Farm Partnerships;
- Each partner taxed on their share
- Income volatility/Averaging
- Same tax position as sole trader
- RFP - Stock relief @ 50% + Grants, BPS benefits



Succession Farm Partnerships



Purpose

- Encourage transfers to next generation

Commence

- January 2017

Tax Credit

- €5000 x 5 years
- Split in line with profit sharing ratio
- Does not apply to companies
- Ceases once reach 40



Limited Company



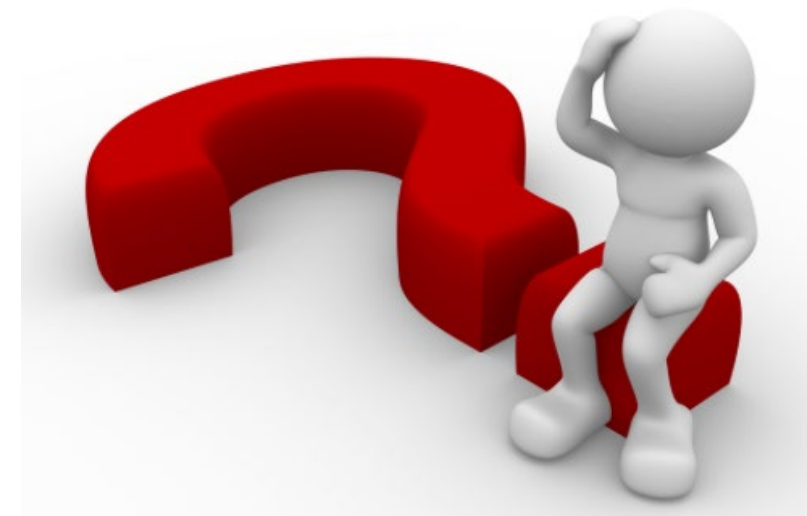
- Step up again is complex
- Familiarity helps
- Dealing with Company law and Taxes
(Income, CT and Capital)
- Benefits should outweigh disadvantages





Who Does It Suit?

- Developed farmer with high tax
- Developing Farmers with high investment/borrowing require
- Farmers with high borrowings
- Farmers looking to create wealth
- Farmer with low drawings outside of debt repayments
- Not suited to all due to complexity



Extracting Cash from Company



- Directors Loan
 - *Assets transferred into Company-stock machinery/BPS/Farmyard*
 - *Creates a reserve which may be withdrawn tax free from the Company*
- Salary/Rent/Dividends
 - Income Tax up to 40%
 - PRSI @ 4%
 - USC @ 8%
- Expenses
 - *Wholly and exclusively incurred otherwise not allowable*



Extracting Cash from Company



- Share Buyback
 - *Sufficient Cash Reserves*
 - *Watch Trade Benefit Test*
 - *Liable to 33% CGT instead of 52% income tax*
- Wind Up of Company
 - *Liable to CGT @ 33%*
 - *Possible Reliefs available Retirement Relief and Entrepreneur Relief*

Potential Issues



Farm building where used in trade of farming

- *No rates*

If using Solar etc. will this open up the possibility of rates or same

- Used to generate electricity
- A separate trade?



Potential Issues



- Liaise with local farm organisation reps
- Don't run off and highlight to local authority
- Ensure issue handled properly



A decorative graphic consisting of a 2x2 grid of colored squares. The top-left square is light blue, the top-right is medium blue, the bottom-left is light green, and the bottom-right is yellow.

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