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2022 Budget Submission

The Irish Farmers' Association July 2021



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Table of contents

Introduction	2	Taxation Measures	16
Value of Agri-Food Sector	4	2 Taxation Measures to Support Growth and Restructuring	17
Exports and our Markets	5	2.1 Farm Succession, Transfer and Partnerships	17
Dependency on Direct Payments	5	2.1.1 Rates of Stamp Duty	17
Expenditure Measures	6	2.1.2 Young Trained Farmer Stamp Duty Relief	17
1 Expenditure Measures to Support Farm Enterprises	7	2.1.3 Enhanced Stock Relief for Young Trained Farmers	17
1.1 Farm Schemes	7	2.1.4 Enhanced Stock Relief for Farm Partnerships	17
1.1.1 Suckler Cow	8	2.1.5 Succession Tax Credit	17
1.1.2 Sheep Welfare Scheme	8	2.1.6 Ceiling for Young Trained Farmer Reliefs	18
1.1.3 Agri-Environment Schemes	8	2.1.7 Consanguinity Relief	18
1.1.4 Areas of Natural Constraints (ANCs)	9	2.1.8 Agricultural/Business Relief Capital Acquisition Tax (CAT) Values	18
1.1.5 Designated Area Payments	9	2.1.9 Agricultural Relief for the Genuine Farmer	18
1.1.6 Organic Farming Schemes (OFS)	9	2.1.10 Renewal of Agri-Tax Reliefs	19
1.1.7 Producer Organisations (POs)	9	2.1.11 Collaborative Farming Partnership Fund	19
1.1.8 Walks Scheme	9	2.1.12 Capital Gains Tax (CGT) Entrepreneur Relief	19
1.1.9 LEADER	9	2.1.13 Interaction of CGT Entrepreneur Relief and CGT Retirement Relief	19
1.1.10 Targeted Agricultural Modernisation Scheme (TAMS)	10	2.1.14 Agricultural Relief – Removal of Individual Qualifying Criteria	19
1.1.11 Tillage	10	2.1.15 Forestry & CAT / Stamp Duty Relief	20
1.2 Supporting Farmers through Brexit	10	2.1.16 Extending 10-year Ownership and Usage Period for CGT Retirement Relief to Spouse for Lifetime Transfers	20
1.3 Climate Action	10	2.2 Income Volatility	20
1.4 Renewable Energy Microgeneration Support	11	2.2.1 Income Averaging	20
1.5 Banking	11	2.2.2 Agricultural Rainy-Day Fund	21
1.6 Farm Forestry	12	2.2.3 Stock Relief	21
1.7 Pigs	12	2.3 Removing Discrimination in the Tax System	21
1.8 Poultry	12	2.3.1 Vaccines and Herd Health Products	21
1.9 National Food Ombudsman/Regulator	13	2.3.2 Reduced Excise Duty for Apple Cider Growers	21
1.10 Horticulture	13	2.3.3 Universal Social Charge for the Self-Employed	22
1.11 Animal Health	13	2.3.4 Tax Treatment of Payments Received for Use of Forestry Land by a Third Party	22
1.12 Aquaculture	14	2.4 Environment	22
1.12.1 Seafood Taskforce – Strategic Initiatives for Irish Aquaculture	14	2.4.1 Carbon Tax	22
1.12.2 Blue Carbon Potential	14	2.4.2 CGT / CAT Reliefs – Solar Leases	22
1.12.3 Implementation of Aquaculture Licensing Review Recommendations	14	2.4.3 Emission-Efficient Equipment / Capital Investment Incentive	23
1.13 Social Protection	14	2.4.4 Carbon Tax Relief	23
1.13.1 Farm Assist	14	2.4.5 Excise Duty on Fuel	23
1.13.2 Fair Deal and Support for Older People	15	2.5 Health and Safety	23
1.14 Farm Safety	15	2.5.1 Sugar Sweetened Drinks Tax (SSDT)	23
1.15 Road Development	15	2.5.2 Farm Safety Incentive	23
1.16 Conservation of Ground Nesting Birds	15		



Introduction

Irish farmers, across all sectors, are facing into an increasingly uncertain future. Stagnant farmgate prices, increasing regulation, Brexit-related trade disruption, along with the prospect of substantial cuts in European Union (EU) direct payments as a result of new Common Agricultural Policy (CAP) reforms leaves Irish farming in a perilous position. It is in this context that IFA sets out its pre-Budget 2022 submission.

Firstly, it is imperative the Government delivers full funding for existing farm schemes in the CAP Transition Period which continues through 2022. In addition, we are seeking the Government to put in place and maintain the appropriate agri-taxation measures to support the sustainable growth and efficient restructuring of the sector.

IFA is also seeking confirmation from the Government and the Minister for Agriculture that they will provide maximum co-financing to ensure that Pillar 2 schemes such as Areas of Natural Constraints (ANCs), Green Low-Carbon Agri-Environmental Scheme (GLAS), Targeted Agricultural Modernisation Scheme (TAMS), Beef Data and Genomics Programme (BDGP – suckler cows), the Sheep Welfare Scheme and Organic Farming Scheme are properly funded. This commitment is vital to deliver €300/suckler cow and €30/ewe in targeted payments. In addition, we need a new scheme for Tillage farmers to stop the exodus from this sector.

Separate to the CAP, the Government gave a clear commitment in their Programme for Government *Our Shared Future* to ring-fence €1.5bn of carbon tax receipts, over the next ten years for an agri-environment scheme referred to as 'REPS-2'. We



are seeking confirmation that this commitment is honoured in full. It is also imperative that this funding is in addition to the national contribution to co-financing under the next CAP programme.

Accelerated capital allowances and Value-Added Tax (VAT) exemptions on the purchase of emission-efficient investment will aid farmers to play their role in contributing to the sector's climate change targets and to develop bioeconomy supply chains. A VAT exemption on non-oral animal medicines and vaccines will work towards the European Commission's 'Farm to Fork' Strategy goal of reducing the threat of Antimicrobial Resistance (AMR). Renewal of Young Trained Farmer Stamp Duty Relief post-2021 is also needed to encourage timely land transfer and generational renewal.

Many farmers are now at a tipping point. With less than 6% of farmers under 35 years of age and many farmers struggling to identify a successor, the direction of travel of this CAP reform has focused on environmental sustainability with little or no consideration for the economic or social consequences for rural areas. Ireland's grass-based production systems are producing public goods, including protection of the

environment and biodiversity along with the preservation of the landscape and unique features without proper recognition or reward. Farmers contribute to wider societal sustainability, particularly when they are located in marginal or economically disadvantaged areas, where their presence is vital to the social fabric and cultural capital.

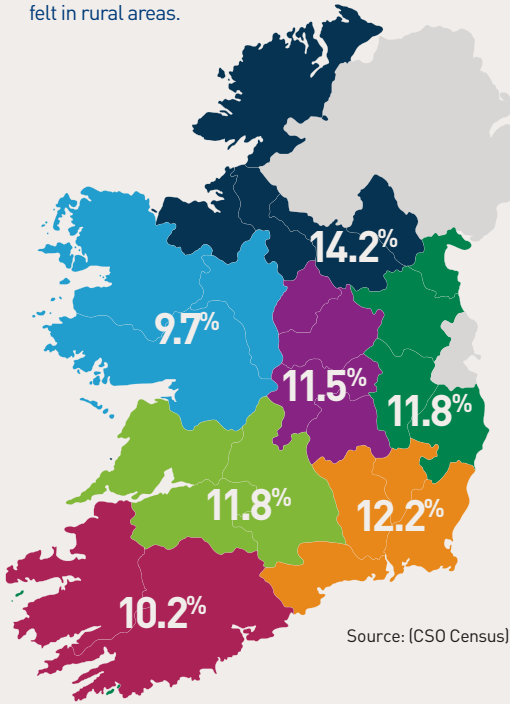
It is critical to acknowledge the efforts of the Government in the battle against the Covid-19. The Government showed leadership in making difficult decisions to protect people in what has been an unprecedented period in the history of the State. The introduction of the Pandemic Unemployment Payment, Employee Wage Subsidy Scheme, Covid Restrictions Support Scheme and other supports have helped to minimise the damage of the pandemic on the economy, businesses and households.

Our Government and Minister for Agriculture have to act now to protect Irish farmers and rural Ireland. Here we set out our expenditure measures to support farm enterprises along with taxation measures to support growth and restructuring in order to achieve this objective.

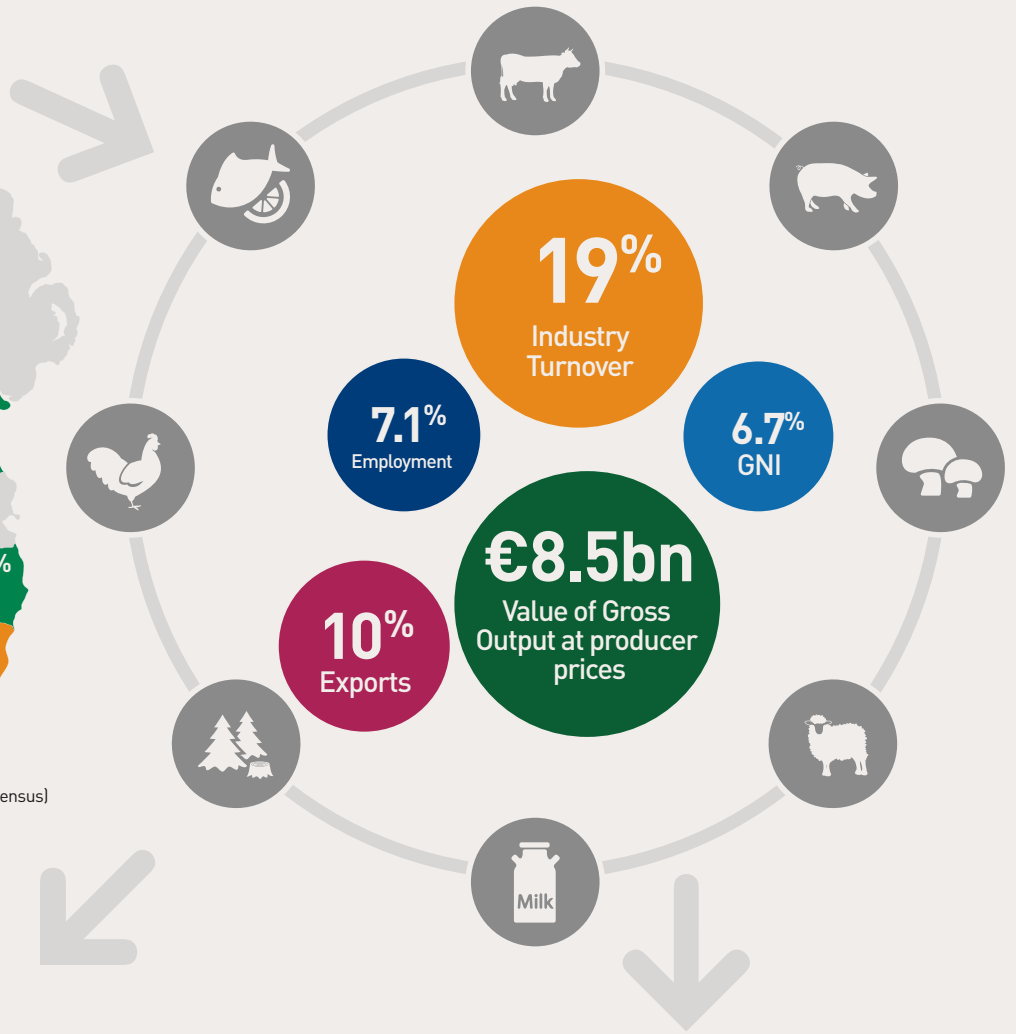
Value of Agri-Food Sector

Regional Employment

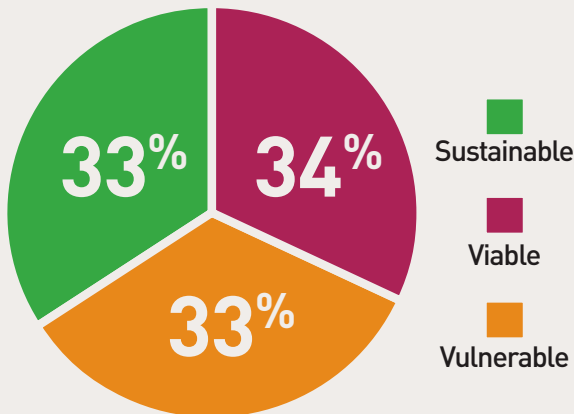
Indigenous firms account for between 80-100% of employment in the agri-food sector. This employment is largely outside of Dublin. The regional breakdown in the Census 2016 reflects the regional importance of the sector, the impact of Brexit will be most felt in rural areas.



Economic Contribution 2020



Farm Viability



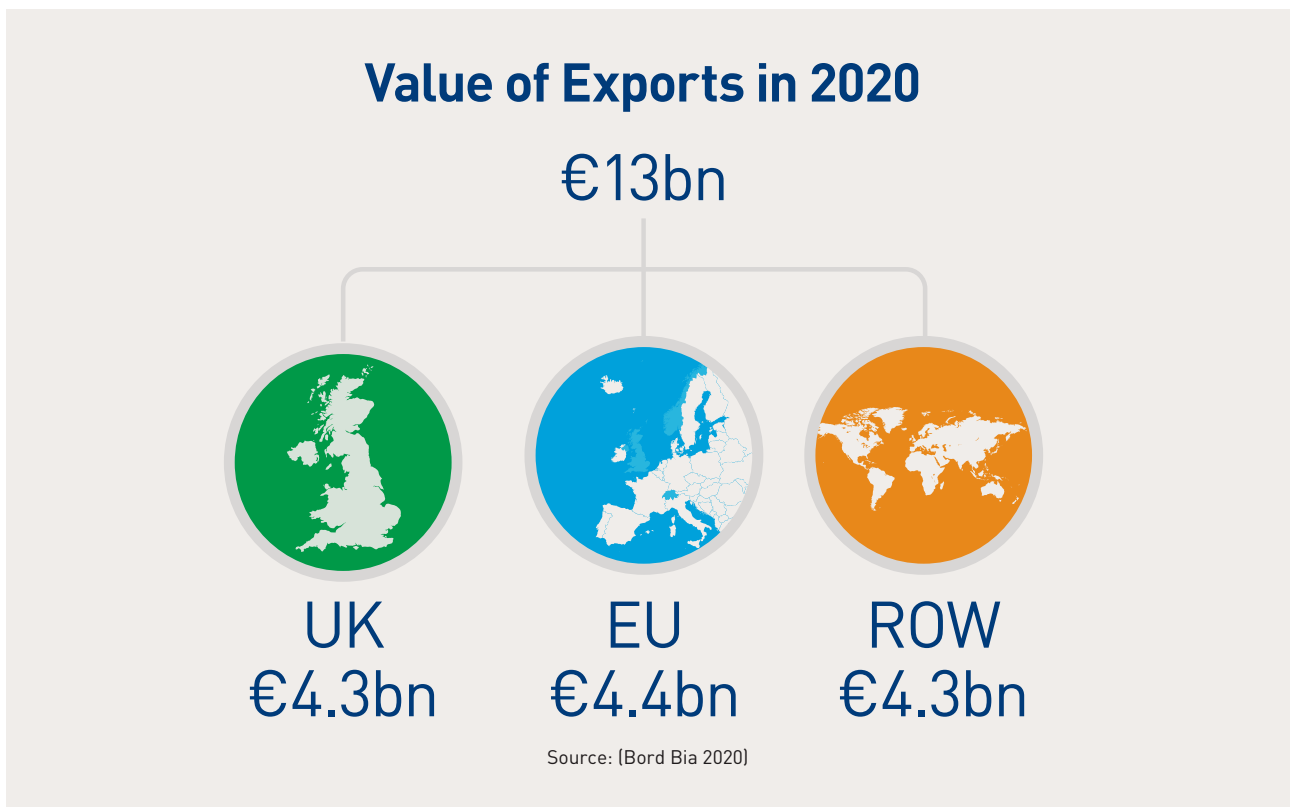
Source: Teagasc National Farm Survey 2021

Big Challenges



Exports and our Markets

The value of Irish agri-food products remain strong. In 2020 food and drink exports represented approximately 10% of the value of our overall exports at €13bn. The UK remains a strong market with 33% of all our agri-food products destined for the UK market.



Dependency on Direct Payments

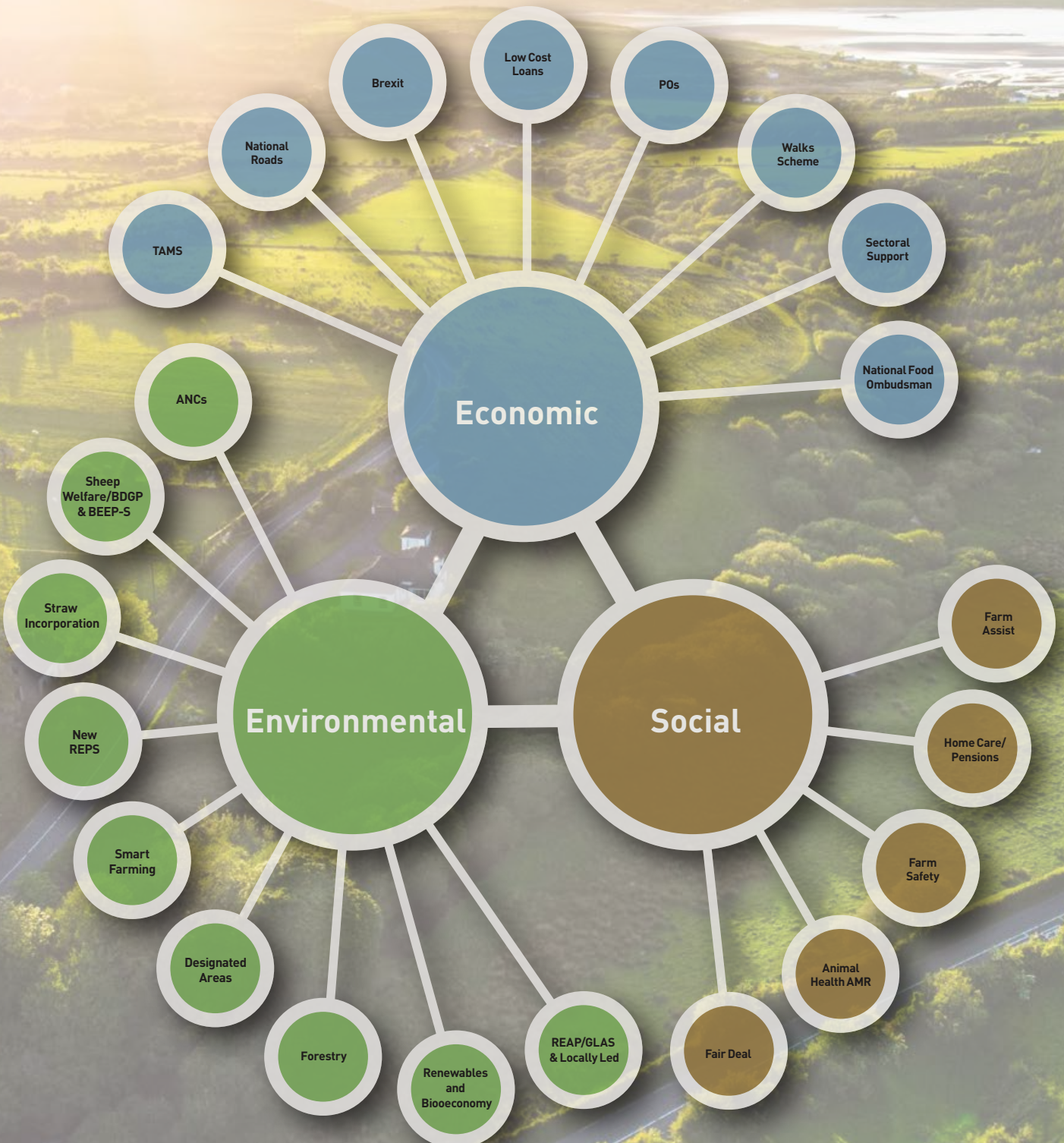
Table 1. Average value of direct payments (DP) & contribution of DP to Average Family Farm Income (FFI) 2020.

	DP (€)	DP as a % of FFI
Cattle Rearing	14,207	157
Cattle Other	16,964	115
Sheep	18,908	103
Tillage	25,729	79
Dairy	20,430	28
Average	17,850	70

Source: Teagasc National Farm Survey 2021 (adapted).

Expenditure Measures

IFA has put forward proposals based on the three pillars of sustainability: Economic, Environmental and Social.



1. Expenditure Measures to Support Farm Enterprises

1.1 Farm Schemes

The 2020 Programme for Government *Our Shared Future* gave a commitment to provide €1.5bn in funding to a “REPS-2” agri-environmental scheme over the 2021-2030 period. The Programme for Government also outlined that funding for this would be from Carbon Tax receipts and that it would be additional to CAP funding. This is essential in order to compensate farmers for the ever-increasing cost of compliance being imposed on them. It is also imperative that none of this funding is diverted to meet the Irish Government’s co-financing requirements under the next CAP programme. As outlined earlier, it is also imperative that national co-financing levels are maximised as part of the CAP National Strategic plan for the 2023-2027 CAP programme.

Despite this promise the Government is already falling behind on its “Carbon Tax/REPS-2” commitment. Table 1 outlines the estimated carbon tax yield for the 2021-2030 period along with the required funding to be set aside to achieve the €1.5bn Programme for Government commitment. 11.7% of the Carbon Tax Yield must be allocated annually to the new agri-environmental scheme to achieve the €1.5bn commitment by 2030.

Table 2: Annual allocations of Annual Carbon Tax Yield (€m) required to meet €1.5bn agri-environmental scheme commitment (IFA Estimates)

Year	Estimated Carbon Tax Yield	Agri-Environment Scheme Budget
2021	571	66.68
2022	730	85.25
2023	889	103.82
2024	1,048	122.39
2025	1,207	140.96
2026	1,366	159.53
2027	1,525	178.10
2028	1,684	196.67
2029	1,843	215.24
2030	1,981	231.35
Total	12,844	1,500

Table 3: IFA Funding Proposals for Existing Farm Schemes in 2022.

Farm Schemes	Expenditure (€m)	
	Total in 2021	Total IFA Proposal for 2022
Beef Data Genomics Programme (BDGP)	45	45
Beef Sector Efficiency Pilot (BEEP-S)	40	80
Sheep Welfare	17	50
Areas of Natural Constraints (ANCs)	250	300
Targeted Agricultural Modernisation Scheme (TAMS)	80	200 ¹
Agri-Environment incl GLAS & Locally led	220	220
Organic Farming Scheme	16	20
Horticulture	9	12
NPWS Farm Plan Scheme	2	15
Walks Scheme	4	7.5
LEADER	30	30

Table 4: IFA Funding Proposals for Pilot Farm Schemes in 2022.

Key Pilot Farm Schemes	Total 2021 Expenditure (€m)	Proposed 2022 Expenditure (€m)
Straw Incorporation Measure	10	12.5
Results-Based Environment-Agri Pilot Project (REAP) ²	20	40
Dairy Beef Calf Programme	5	-
Calf and Cattle Rearing and Finishing Programme	-	40
Total	35	92.5

The 2021 budget saw the introduction of a number of pilot schemes including the Dairy Beef Calf Pilot Scheme, Straw Incorporation Measure and the Results-Based Environment-Agri Pilot Project. Total funding of €35m was set aside for these schemes in 2021. IFA is proposing an expanded pilot schemes programme in 2022 with total funding of €92.5m to include a new pilot calf and cattle rearing and finishing scheme. This is an expansion on the Dairy Beef Calf programme to include all farmers who rear calves, weanlings and stores from suckler dams in addition to dairy dams. This pilot will be a forerunner to a Pillar 2 scheme in the next CAP programme for the 2023-2027 period. This will require funding of €100m/annum in order to achieve appropriate economic and environmental objectives for farmers rearing beef cattle.

¹ In order to fully utilise the funding committed under the Rural Development Plan. See section 1.1.10 for more details.

² IFA estimate of 2021 expenditure based on farmers accepted to scheme.

1.1.1 Suckler Cow

The national suckler cow herd of almost 1m head is the backbone of our meat and livestock sector which is worth €3.4bn. The suckler beef sector delivers essential socioeconomic and environmental services and economic activity in every rural parish and townland in the country. This production system and its environmental, animal health and welfare standards are the foundation for the image of Irish beef production at home and abroad.

The schemes for the suckler cow – the Beef Data and Genomic Programme (BDGP) and Beef Sector Efficiency Pilot (BEEP-S) – have proven to be essential in terms of economic support, improving efficiencies and delivering on environmental objectives. The schemes are well received by farmers and can contribute towards delivering a sector that is economically viable and continues to support thousands of rural jobs.

The pilot Dairy Calf Beef Programme is a first step in supporting farmers who rear calves and cattle for beef. This scheme should be expanded to include all farmers who rear calves, weanlings and stores from suckler dams in addition to dairy dams. The scheme has the potential to assist the sector in achieving higher levels of economic viability and the increased environmental ambition now imposed on beef farmers.

IFA proposes:

- Budget 2022 should build on the BDGP and BEEP-S schemes to deliver a targeted direct payment of €300/cow, financed from a combination of national co-financing and CAP Pillar II funds.
- Roll-over of the BDGP in a simplified format for 2022.
- The BEEP-S should be increased from the current €40m allocation to €80m.
- Expand the pilot Dairy Calf Beef Programme into a pilot Cattle Rearing and Finishing Scheme to include farmers who rear beef animals from the suckler herd including store and finishing farmers, building towards a budget of €100m for direct farmer support by 2023.

1.1.2 Sheep Welfare Scheme

With 35,592 sheep farms, sheep farming is the second largest sector in terms of farm numbers. The sector has an output of €363m and a total of approximately 2.9m sheep were processed in 2020.

The Sheep Welfare Scheme has been very positive and effective. The four-year scheme was due to conclude in December 2020 but was extended for an additional year in 2021. Sheep are major contributors to environmental preservation and sheep farming is among the most efficient of any farm system in terms of greenhouse gas emissions, ammonia emissions and nitrate surpluses per hectare.

Sheep farmers have experienced first-hand the collapse in the wool market over the past two years. The Government commitment to investigate alternative uses for wool is

welcome but this will be a slow process. Finally, the ongoing mauling and killing of sheep by dogs remain a challenge to the sector.

IFA proposes:

- Roll-over of the current Sheep Welfare Scheme into 2022 and enhanced to deliver on the ambition of €30/ewe through a combination of CAP Transition and national exchequer funding.
- Shearing to be included as a measure in the Sheep Welfare Scheme to support farmers in carrying out this vital health and welfare measure and for providing this sustainable, renewable product for many value-added uses.
- Additional funding should be allocated to the Sheep Welfare Scheme to allow new entrants into the sector and to allow those who entered the sector since the commencement of the scheme to have their actual on-farm sheep numbers recognised and appropriately remunerated.
- Government should create incentives for wool to be the insulation of choice in home and commercial properties and make it mandatory for Irish wool insulation to be used in all social housing projects and public buildings.
- Provide the necessary resources in order to achieve effective dog control. It is imperative that a centralised national dog database is established along with the implementation of strengthened legal obligations on dog owners. An effective and adequately resourced 'Dog Warden' service is required in all counties as a matter of urgency.

1.1.3 Agri-Environment Schemes

Farmers are fully committed to improving the environmental and economic sustainability of their farming enterprises, contributing to the enhancement of the environment along with maintaining the amenity value of the countryside.

An important programme within the current Rural Development Plan is the Green Low-Carbon Agri-Environment Scheme (GLAS), in which up to 48,000 farmers are now participating in. At the end of 2020, 36,000 farmers completed their GLAS 1 & 2 contracts and were given the option to extend their contract to include 2021. At the end of 2021 a further 12,000 farmers participating in GLAS 3 will finish their contracts. It is vitally important that all GLAS participants are given the option to extend their contracts for 2022.

The Results-Based Environment Agri Pilot Programme (REAP) is a two-year agri-environment pilot project which opened for applications in 2021 for participation in 2021 and 2022. Nearly 11,000 farmers applied to participate in the pilot programme and approximately 5,000 of these farmers have been accepted into the programme. To accommodate the remaining applicants, it is vital that the pilot project is opened for applicants to participate in 2022.

IFA proposes:

- For the 48,000 farmers finishing GLAS on December 31st 2021, their plans must be extended for 2022, and all payment rates to be maintained at current levels.
- The financial allocation for REAP should be increased to meet demand along with a reopening of the programme for all farmers who were denied entry in 2021.
- €260m funding allocation is required for all environmental and locally led schemes, including GLAS, REAP, and European Innovation Partnership (EIP) projects e.g., the Burren, Hen Harrier etc.

1.1.4 Areas of Natural Constraints (ANCs)

The ANC payment is worth €250m to nearly 100,000 farmers following the 2019 review. However, it is vitally important that the allocation to the ANCs is increased to take account of the low farm incomes that this payment supports.

IFA proposes:

- Funding for the ANCs is increased by a further €50m to bring the total budget for the scheme to €300m for 2022.

1.1.5 Designated Area Payments

Payments through the National Parks and Wildlife Service (NPWS) for land under Special Areas of Conservation (SACs) and Special Protection Areas (SPAs) through the Farm Plan Scheme should be reopened. This scheme helps meet the costs of restrictions imposed and provides compensation to farmers whose incomes and livelihoods have been negatively affected by designation. This is particularly relevant to the Shannon Callows, Hen Harrier and hill land areas where there are severe farming and other developmental restrictions. The funding increase committed in Budget 2021 to expand the scheme from 100 to 300 farm plans needs to be further enhanced with increased payment rates to reflect the additional costs and burdens on farmers. The scheme should also be reopened to include all farmers who are farming on land which is designated.

IFA proposes:

- Increased funding of €15m is allocated to the NPWS farm plan scheme to pay farmers where, due to designation of land, restrictions are imposed on farming.

1.1.6 Organic Farming Schemes (OFS)

The Organic Farm Scheme assists farmers in the conversion process to organic farming. Last year the funding to the scheme increased to €16m. The increase of €4m allowed for the scheme to re-open for a maximum of 400-500 entrants. Unfortunately, a number of factors contributed to the scheme being under-subscribed. The area under agricultural production remains just under 2% which is significantly below

the European average. The Programme for Government *Our Shared Future* sets out to increase the area under organic production to 7.5% by 2025 to align with the increased organic farming ambitions at European level. However, this can only be achieved by increased levels of funding for the scheme. There is a growing market consumer demand for organic products, and Ireland's green image in the international marketplace gives us a real opportunity to further develop the sector.

IFA proposes:

- Funding of the Organic Farm Scheme should be increased to €20m in 2022 to fulfil consumer demand and further develop the area of land under organic production.
- An additional payment should be made on the first 3 ha of organic horticulture.

1.1.7 Producer Organisations (POs)

Recognition of POs across all sectors was provided for in the CAP 2014-2020, with a specific measure to support the set-up of producer groups and organisations, included in the RDP. The Department of Agriculture, Food and the Marine (DAFM) provided a small level of support to cover some of the legal and advisory costs of facilitators associated with the establishment of beef POs, up to a maximum of €3,000.

IFA proposes:

- €5m is provided to assist farmers with the establishment and ongoing running costs of POs.
- The rules need to be much less bureaucratic and designed in a more farmer-friendly manner.
- The DAFM initiative establishing new POs within horticulture, to include the potato and nursery stock sectors, should continue to be supported.

1.1.8 Walks Scheme

The Walks Scheme has a significant impact on the development of recreational activities, boosting rural tourism and supporting farmers who provide access to their land. There is a commitment in the Programme for Government *Our Shared Future* and also Budget 2021 to develop a new Outdoor Recreational Strategy to include extending the Walks Scheme to achieve a target of 80 trails, currently at 40.

IFA proposes:

- The previous commitment to extend the Walks Scheme to 80 walks must be delivered without further delay.
- The number of trails be extended to 150, with additional funds of €3.5m to bring it to a total of €7.5m.

1.1.9 LEADER

The LEADER Programme plays an important role in supporting the rural economy particularly in enterprise

development. This is particularly relevant in the context of the recovery of rural areas post COVID-19 restrictions. It is important that in the context of EU CAP transition rules that funding is maintained for 2022 and support to projects is maintained.

IFA proposes:

- The LEADER Programme be fully funded for 2022, with no gap in this funding before the start-up of LEADER under the next CAP Programme.

1.1.10 Targeted Agricultural Modernisation Scheme (TAMS)

The implementation of a strong on-farm investment scheme is critical given the ambitious growth targets set out in Food Wise 2025. There is an ongoing investment requirement across all sectors, to improve efficiency and meet higher environmental and animal welfare standards. Expenditure on TAMS is currently behind target, with approximately 60% of the revised allocation of €523m³ spent to date. There needs to be increased flexibility along with the inclusion of additional qualifying investments to ensure all funding is fully utilised.

IFA proposes:

- The commitment on the revised TAMS budget is honoured with a 2022 allocation for TAMS of €200m. This is necessary to meet all outstanding commitments and new applications for 2022.
- Grant aid for the purchase of Low Emission Slurry Spreading (LESS) equipment must be paid at a rate of 60% for all farmers both for new equipment and retrofitting existing equipment and the investment ceiling for LESS investment needs to be increased. These changes are necessary to help ensure emissions associated with slurry spreading are reduced.
- Additional items should be added to include grant aid for road underpasses, weighbridges and rubber mats.
- The standard costings need to be adjusted to reflect the increased cost of materials, building work and labour.
- The increased TAMS investment scheme for poultry should be rolled out immediately.
- A separate (increased 60%) TAMS investment scheme for landowners to build storage facilities for pig slurry and poultry litter on their sites should be established. This could potentially lead to easier movement of slurry and litter and increase demand, especially in the closed spreading period.
- The minimum investment limit of €2,000 is lowered to accommodate small investments.

1.1.11 Tillage

Tillage farmers are experiencing a continual decline in their incomes, which has resulted in a 20% reduction in the tillage area since 2008. Targeted supports must be put in place

to ensure the revitalisation of this important sector, which underpins Ireland's export orientated livestock, dairy and drinks sectors.

Currently 85% of all Irish maize crops are grown under plastic, the requirement to use compostable plastic will significantly increase the cost of producing forage maize by 39% for growers in the country.

IFA proposes:

- The Straw Incorporation Measure is rolled over for 2022 with a budget increase from €10m to €12.5m.
- To encourage the transition away from oxo-degradable single-use plastics in the production of forage maize crops, a VAT rate of 0% should apply to the latest, more environmentally friendly compostable plastics.

1.2 Supporting Farmers through Brexit

The impact of Brexit continues to have a damaging effect on the price of agricultural goods. The UK is by far the largest destination for Irish agri-food exports, worth €4.3bn annually. Meanwhile, the UK has reached a trade agreement in principle with Australia which will deliver lower tariffs and increased access to the UK food market for Australian produce, including the accommodation of Australian production standards in the areas of food safety, animal health and the environment. Irish agri-food exports must also comply with additional customs declarations Sanitary and Phytosanitary (SPS) checks when entering Great Britain.

The Council of the EU and the European Parliament have reached a preliminary agreement on the Brexit Adjustment Reserve (BAR) which was proposed by the European Commission. The BAR is a special once-off emergency measure and is vital to support Member States in managing the impact of Brexit. It will support farmers who suffer trade losses as a consequence of Brexit. Under the proposal, Ireland will be allocated over €1 billion of the available €5.34 billion.

IFA proposes:

- The allocation to the Irish farming sector from the BAR needs to reflect the importance of the UK market to Irish primary producers and to protect them against the disproportionate impact of Brexit on Irish agri-food exports.

1.3 Climate Action

Irish farmers are fully engaged and committed to climate action. All farmers in receipt of a basic payment maintain their land in compliance with the Good Agricultural and

3 The TAMS budget was revised in 2021 to account for the additional years CAP transition period.

Environmental Conditions (GAEC) across a range of areas, with almost 50,000 farmers also participating in the GLAS Scheme. This demonstrates how farmers respond positively to properly focused and funded climate initiatives.

IFA proposes:

- Funding is required to introduce a Sustainable Development Programme (SDP) to co-ordinate the delivery of price supports for farm-scale and community-based renewables and to ensure the maximum delivery of the Teagasc Marginal Abatement Cost Curve (MACC) climate roadmap.
- The BDGP has been effective in improving the efficiency of the national suckler cow herd and has to be maintained in a simplified format.
- There has been a bigger level of applications than anticipated in the recently introduced BEEP-S scheme and therefore additional money is required to ensure all applicants are fully funded.
- Increased support to farmers with designated land.
- Increased allocation for the Organic Farming Scheme.
- The overall grant-aid available for the LESS scheme should be increased to 60% along with a VAT exemption for LESS equipment.
- As per the commitment in the Programme for Government *Our Shared Future*, a liming programme to support farmers must be introduced, needing an allocation of €23m.
- Funding of €84m is required to expand and develop the Smart Farming Programme, as recommended in the Joint Oireachtas Climate Action Committee Report *Climate Change: A Cross-Party Consensus for Action March 2019*.
- The introduction of a protected urea incentive scheme, closing the price differential between it and existing products.
- A support scheme should be put in place to encourage slurry additives uptake.
- A soil structure support programme to include soil aeration equipment to maximise the agronomic and environmental benefits of good soil structures.

1.4 Renewable Energy Microgeneration Support

The Climate Action Plan 2019 sets the target of 70% of electricity generated from renewable sources by 2030 in Ireland. The Programme for Government *Our Shared Future* clearly reflects IFA's position that greater community participation must be at the centre of future renewable energy policy to provide sustainable development. Ag Climatise aims to generate at least 20% deployment of renewable energy technologies focusing primarily on energy intensive farming systems.

Farmers have already begun to contribute to renewable energy generation, by diversifying and devoting the use of their farmland towards low-carbon opportunities and climate abatement. IFA supports the advancement of farm scale renewable infrastructure at a community level. In order to promote and encourage the adoption of microgeneration on Irish farms with the aim of reducing input costs for farmers, reducing CO₂ production, and contributing to the Government renewable energy targets for 2030, the following supports are required.

IFA proposes:

- The establishment of capital grants of approximately 50% for farmers to invest in microgeneration. This will require a new financial support programme for microgeneration with a separate structure and set of rules. This money should come from outside of CAP Pillar II funds. This programme should apply to all usage on farms including the farm residence, and should not be capped at 11KW.
- The delivery of a meaningful 'Feed in Tariff' with no limits on export volume to grid.
- Amend the Renewable Electricity Support Scheme (RESS) to facilitate small scale projects and redefine 'communities' in RESS to include virtual farming communities and partners.
- Remove or reduce network charges for inter-farming community trading.
- Remove planning impediments for microgeneration projects.

1.5 Banking

The agri-food sector is Ireland's largest indigenous sector and is a critical part of the food supply chain. Access to working capital is paramount for farmers across all the enterprises and it is vitally important that farmers have access to sufficient low-cost funding to allow their businesses to trade efficiently. Increased reliance on merchant / co-operative credit is not an option as the provision of extended credit by these businesses is wholly unsuitable for the farming industry.

The diminished level of competition in Ireland's banking sector continues to be eroded with NatWest's decision to wind down its Ulster Bank operations in Ireland. However, finance made available through schemes administered by the Strategic Banking Corporation of Ireland (SBCI) provide borrowers with more choice and help reduce the cost of borrowing for farmers. For example, the Future Growth Loan Scheme proved very popular with farmers whereas the Covid-19 Credit Guarantee Scheme proved less so due to prohibitive eligibility criteria. The announcement of the Brexit Impact Loan Scheme is welcome, but it is essential that its design is appropriate to the needs of farmers.

IFA proposes:

- The Government, through the SBCI, introduce a state backed guarantee (80%) low-cost interest (max 3.7%) loan scheme, which is accessible to all primary producers across all the farming sectors including aquaculture, forestry and amenity horticulture.
- The scheme should:
 - Provide financial support to primary producers who are experiencing cashflow disruption and/or reduced profitability due to the impact of Brexit.
 - Operate through the main banks as heretofore with previous SBCI schemes, but also to include other financial institutions such as Credit Unions, An Post and other accredited asset lenders.
 - Cater for loans up to €1,500,000 in the form of refinancing, working capital and term loans in addition to asset finance.
 - Provide unsecured lending up to €500,000.
 - Offer a loan duration of up to 6 years in the case of term loans and asset finance.
 - Provide for a 12-month moratorium on capital repayments.
 - Allow access to farmers who are leasing land and therefore are unable to provide adequate security to access secured bank finance without support of SBCI-led schemes.
 - Preclude the use of family homes as security.
 - Preclude the use of personal guarantees for loan amounts under €150,000.
 - Prohibit facility fees.

1.6 Farm Forestry

The forest sector has a central role to play in Ireland's Climate Action Plan, which sets out an afforestation target of 8,000 hectares per annum. Despite this target, Ireland's afforestation programme has been in decline with less than 2,500 hectares planted in 2020. As a result of policy decisions (recoupment of premiums, inadequate ash dieback scheme, restrictions on planting productive land etc.) and the delays getting a licence, farmers' confidence in forestry as a land use option has eroded. Despite the huge potential of the sector, farmers are increasingly unwilling to commit their land in perpetuity to forestry. New measures are needed to reverse the decline in afforestation, while ensuring a balanced regional spread of forestry is achieved. Maximising the economic return from harvesting operations, particularly thinnings, is key to achieving afforestation and timber production targets.

IFA proposes:

- To restore the farmer premium differential as committed to in the Programme for Government *Our Shared Future*.
- The introduction of a Harvesting Plan Grant to assist forest owners with the increased costs and requirements associated with applying for a felling licence.
- The introduction of an Ash Dieback Reconstitution scheme that appropriately compensates forest owners affected by the disease. This would include the reinstatement of 15-year premiums on re-established woodlands and an option not to replant under certain circumstances.
- The introduction of a Payment for Ecosystem Services (PES) in recognition of the range of environmental services provided by forests, including carbon. This payment would incentivise farmers to plant at the scale required and would provide income beyond the fifteen-year forest premium payments, as well as in subsequent crop rotations.
- The removal of restrictions on planting productive marginal land and increase GPC1 grant and premium rate to cover cost of planting and better reflect the income foregone by planting the land. In 2016, the Council for Forest Research and Development (COFORD) Land Availability for Afforestation report identified 180,000 hectares of unenclosed land outside of environmental constraints that satisfies the eligibility criteria of the Afforestation and Woodland Creation scheme, which is currently excluded.
- The introduction of a Forest Owner Producer Organisation Scheme to provide supports for the preparation and implementation of Production and Marketing Plans for forest owner organisations.
- The development of a national Forest Certification scheme to overcome the obstacle to private forest owner certification that mirrors similar successful schemes operating in other European countries.

1.7 Pigs

The use of destocking of sow herd followed by restocking with minimum-disease status sows is an effective method of reducing disease burden in pig units and reducing medication usage.

IFA proposes:

- The Government establish a financial aid scheme to assist pig farmers with depopulation and restocking of pig herds.

1.8 Poultry

The total loss of a flock has a devastating impact on the income of poultry farmers. However, IFA does not support the current Poultry Working Group proposals for a disease compensation scheme.

IFA proposes:

- The Government should establish a national Poultry Compensation Scheme to provide financial assistance to growers in the event of total flock loss. It is imperative that the Government fully engages with and consults the IFA Poultry committee on the development of this scheme.

1.9 National Food Ombudsman/Regulator

The commitment in the Programme for Government *Our Shared Future* to establish a National Food Ombudsman/Regulator is welcomed. The Irish Government transposed into Irish law the EU Directive on Unfair Trading Practices (UTPs) on 28th April 2021⁴ which provides for the appointment of an enforcement authority as part of initial legislation. The Minister for Agriculture, Charlie McConalogue, has agreed to go beyond the scope of the directive and has held a public consultation process on the wider remit of the National Food Ombudsman/Regulator or equivalent Office. IFA believes that the new National Food Ombudsman/Regulator must have real teeth and be able to hold processors and retailers to account. The office must also have full powers of investigation, the ability to make findings and the authority to impose sanctions.

IFA proposes:

- The National Food Ombudsman/Regulator should be adequately resourced and funded in order to effectively tackle the imbalance of power in the food supply chain so that it is fair, transparent, well-functioning and equitable.
- The Government must go beyond the scope of the Directive to regulate the full food supply chain and include other UTPs such as unsustainable discounting, below-cost selling, annual tendering by retailers, and misleading labelling and fake brands; so that farmers are not forced to take prices below the cost of production.

1.10 Horticulture

The Scheme of Investment Aid for the Development of the Commercial Horticulture Sector is critical to the expansion of the sector and has been successfully utilised in the past to undertake investment and improve efficiency and innovation. Funding under the scheme should be increased in order to help achieve the objective of increased area under horticultural production as part of the proposed Agri Food 2030 Strategy.

IFA proposes:

- Funding for the scheme is increased to €12m in Budget 2022 to meet the demand for investment, evidenced by the oversubscription of the scheme in previous years.
- Compensation is provided for the disposal of ash plants in amenity horticulture.

1.11 Animal Health

Irish farmers have a proven track record of raising the health status of the national herd through high levels of investment in disease eradication and control programmes and the application of the best-in-class animal welfare practices. The continued improvement in the health status of the national herd generates benefits for the broader Agri-sector and the economy in general.

This investment and commitment of farmers should be supported by Government directly and indirectly through the provision of the resources required to support farmers while also protecting them from unnecessary bureaucracy and controls.

Farmers are playing their part by proactively addressing Antimicrobial Resistance (AMR) at farm level. These efforts need to be recognised by Government, by providing the resources to implement any on-farm changes necessary and by reducing the cost of important preventative medicines such as vaccines. Vaccines and other preventative treatments are vital tools for farmers to reduce the need for antibiotics on farms. Accordingly, these should be available in a cost-effective manner to encourage increased usage as part of herd health programmes.

IFA proposes:

- Government should move as a matter of urgency to apply the 0% Value-Added Tax (VAT) rate on non-oral animal medicines and vaccines worth €10m annually to farmers in direct savings.
- Government has to advance the commitments given to enhance the Regional Veterinary Laboratory Network and associated services to farmers. €33.5m was allocated in 2019 for this 10-year programme and progress from this investment must be realised in real terms for farmers.
- All disease eradication and control programmes – including the Tuberculosis (TB) and National Infectious Bovine Rhinotracheitis (IBR) programmes – should have equitable funding models that reflect the beneficiaries and wider benefits for the national economy associated with these programmes while recognising and attributing a value to the labour contribution of farmers in their implementation at farm level.

4 S.I. No. 198/2021 - European Union (Unfair Trading Practices in the agricultural and food supply chain) Regulations 2021 (irishstatutebook.ie)

- The Wildlife Control Programme is resourced to ensure the effective and timely treatment of wildlife where TB breakdowns occur. This will require a doubling of the existing staffing structures in the area and additional supports to address outbreaks of TB among deer.
- The higher-level national surveillance in the Bovine Viral Diarrhoea (BVD) programme that will commence in 2023 must be fully funded by DAFM.
- The Fallen Animal Collection Service should be reviewed, restructured and funded to an appropriate level that ensures farmers are not exposed to the exorbitant and unacceptable charges of some service providers due to the lack of competition in the area.

1.12 Aquaculture

The Irish aquaculture industry provides essential employment opportunities for rural coastal communities with almost 2,000 direct jobs and over 16,000 indirect jobs in marine ancillary services sectors. The economic value of aquaculture is estimated at a total of €180 million in production value (€129 million finfish and €51 million shellfish) with over 80% of this aquaculture produce are exports to the value of €150 million.

1.12.1 Seafood Taskforce – Strategic Initiatives for Irish Aquaculture

The Seafood Taskforce focuses on initiatives that help identify jobs and economic activity in coastal communities dependent on the seafood industry and their potential contribution to local and or sectoral development. Strategic Initiatives for the sustainable development of the Irish Aquaculture industry will need significant investment to achieve this.

IFA proposes:

- Appropriate recognition and remuneration is given to the Irish aquaculture sector in its carbon sequestration services; the added value aquaculture produce provides, and the contribution aquaculture can make in meeting Climate Action targets in this regard.
- Significant investment is required for innovation in Irish Aquaculture. In particular, investment in adaptive technology that allows for the use of renewable energy sources and greater energy efficiency in aquaculture farming practices should be explored.
- Seaweed aquaculture farming is continuously developing in Ireland with investment needed in processing and marketing of seaweed products with continued support for the development of the Irish seaweed industry.
- Adequate and appropriate resources should be allocated to fully implementing all the recommendations of the Independent Aquaculture Licensing Review.

1.12.2 Blue Carbon Potential

IFA welcomes the recognition in the Programme for Government *Our Shared Future* and as part of the Seafood Taskforce initiatives, for the enormous 'blue carbon' potential that the ocean has to offer in tackling climate change. However, IFA also appreciates that further scientific research is needed to understand and develop this potential.

IFA proposes:

- Sufficient funding and resources is allocated to the Marine Institute to facilitate this scientific research. Consideration should be given to the role of the aquaculture industry as a carbon efficient source of sustainable protein and its contribution to marine ecosystem services.

1.12.3 Implementation of Aquaculture Licensing Review Recommendations

Prioritising immediate action to implement a functioning aquaculture licensing system needs to be a key priority for any future development of the Irish Aquaculture industry, including appropriate legislative changes required to facilitate this. There is a need for commitment from Government to ensure the economic potential and sustainable future of the Irish Aquaculture industry is realised. Sufficient funding and resources must be allocated to facilitate implementation of all recommendations.

IFA proposes:

- Adequate and appropriate resources are allocated to fully implement all the recommendations of the Independent Aquaculture Licensing Review.
- Sufficient funding is provided to ensure the earliest possible implementation of Recommendation 8.2; pre-application process and Recommendation 8.5; the establishment of a web-based Aquaculture Application and Monitoring System.

1.13 Social Protection

1.13.1 Farm Assist

IFA welcomes the commitment in the Programme for Government *Our Shared Future* to review the means test disregards for Farm Assist. It is a vitally important scheme for low-income farm families, allowing them to continue in production during difficult times.

IFA proposes:

- The income disregard is increased from the current level of 30% to 50%.
- In the means test for Farm Assist, the depreciation rate for farm equipment and machinery should be increased to a standard rate of 10% to more accurately reflect the useful life of these assets.

- The income disregards for agri-environmental schemes, included in the means test for Farm Assist, must be extended to also disregard forestry premium payments.
- The option of a three-year income test assessment be considered.
- Similar to recipients of the Jobseeker’s Benefit and Jobseeker’s Allowance, recipients of Farm Assist should be able to receive credited social insurance contributions.

1.13.2 Fair Deal and Support for Older People

Older farmers and other older people living in rural Ireland can experience poverty and social isolation because they rely on small fixed incomes that are vulnerable to increases in the cost of living or unexpected expenses, such as medical care. The current burden of nursing home care on farm families is threatening the viability of the family farm. Rural dwellers face higher costs of living than those in urban areas, particularly in expenditure on transport and the necessity to own a car. The needs of older people and low-income farm families need to be addressed. The Programme for Government references the Fair Deal Scheme saying it will provide assistance when staying at home will no longer be an option. IFA welcomes the Government’s recent passing of the Nursing Homes Support Scheme (Amendment) Act 2021 to revise the Nursing Homes Supports Capital Schemes arrangements for farmers and business owners which must be implemented without delay.

- IFA proposes:**
- The Nursing Home Support Capital Schemes must provide for the inclusion of farm land leased to third parties, in line with other Government policy on inheritance under Agricultural Relief.
 - Older people should be supported to live at home through increased funding for the Home Care Package Scheme so that the number of hours provided is increased.
 - The Total Contribution Approach (TCA) for calculating Contributory State Pension payments should be implemented in line with National Pension Framework (2008) agreement, which provides for total contributions of 30 years to qualify for a maximum payment.
 - Provide credits to farmers on Farm Assist prior to 2007, when they were ineligible to make PRSI contributions under the scheme.

1.14 Farm Safety

IFA is steadfast in its belief that awareness and education programmes focussed on prevention, through supporting farmers to change behaviour, are the best way to reduce farm accidents. IFA is currently rolling out its peer-to-peer farm safety programme, which supports farmers through education and training initiatives.

The Finance Act 2020 introduced new legislation to allow for accelerated capital allowances to be claimed in respect of certain items of farm equipment which support farm health and safety. The legislation, although enacted, has yet to commence, as the Ministerial Order giving effect to the legislation has not yet been issued pending EU State Aid approval.

- IFA proposes:**
- The Ministerial Order to commence the Farm Safety Equipment Scheme must be published without further delay.
 - The expansion of the Farm Safety Equipment Scheme, with increased funding for health and safety equipment under TAMS.
 - A handbrake and Power-Take Off (PTO) improvement scheme; to include a PTO scrappage scheme and a handbrake replacement scheme, to assist farmers in replacing malfunctioning equipment.
 - An annual farm safety budget be allocated to the Farm Safety Partnership Advisory Committee to implement future farm safety action plans.
 - A simplified and fast-tracked planning process is put in place for the construction of road underpasses.

1.15 Road Development

The National Development Plan envisages that almost €6bn will be spent on national road schemes. This will lead to considerable upheaval for farm families impacted, as their farms are carved up to facilitate the development of the national road network. During the recession, when national roads construction effectively ceased, the €5,000/acre flexibility payment was removed. This payment currently stands at €3,000/acre.

- IFA proposes:**
- Farmers impacted by national road developments under the new National Development Plan receive a flexibility payment, reinstated to the value of €5,000/ac.

1.16 Conservation of Ground Nesting Birds

American mink and grey squirrels are a non-native species and are well established in Ireland. Predation is one of the primary constraints for ground nesting birds e.g., curlew, coot, moor-hen, duck, pheasant. Populations of species such as mink and grey squirrels need to be managed. The primary technique used to control these species is live trapping.

- IFA proposes:**
- IFA is seeking the reintroduction and funding of €40,000 for a mink and grey squirrel bounty.

Taxation Measures

The taxation proposals are based on three pillars of Income Stability, Reliefs and Succession and the Environment.



2. Taxation Measures to Support Growth and Restructuring

2.1 Farm Succession, Transfer and Partnerships

2.1.1 Rates of Stamp Duty

In Budget 2020, stamp duty was increased from 6% to 7.5% for commercial property, which included agricultural land. Agriculture is a low margin, highly capital-intensive business, which requires investment in its primary asset, land. The increase in the rate of stamp duty places an increased financial burden on farmers purchasing their primary asset and will also have significant impact on young trained farmers given the introduction of State Aid limits to their reliefs.

IFA proposes:

- Agriculture is removed from the commercial definition and revised in line with the residential stamp duty charge of 1%, up to €1m, and 2% thereafter.

2.1.2 Young Trained Farmer Stamp Duty Relief

Ireland has a high level of owner-occupancy of farms, and the sustainability and viability of the sector requires that the family farm can be transferred between generations with the minimum of administrative complexities, legal costs and tax exposure. Agriculture is a low margin, highly capital-intensive business with the primary asset, land, requiring large amounts of investment. Reliefs recognise the high prices of agricultural land and its associated low-margin return.

The young trained farmer stamp duty relief is critical for aiding young farmers to enter the sector and incentivise generational renewal. Currently, a young trained farmer must submit a business plan to Teagasc at the time of the claim and technically the relief could be disallowed by failing to submit the plan which is imposing large unforeseen costs on many young farmers. This relief encourages timely lifetime transfers, allows for greater land mobility, and develops economically viable farm units.

IFA proposes:

- The relief is renewed post-2021 with the age limit of 35 years retained.
- Amendment to allow the business plan can be submitted to Teagasc within 12 months of claim for the relief.

2.1.3 Enhanced Stock Relief for Young Trained Farmers

Farmers are entitled to an income tax deduction in respect of increases in the value of their farm trading stock. The term "trading stock" refers to items which are sold in the ordinary course of the farm trade such as farm produce and direct inputs. The 100% stock relief on income tax for certain young trained farmers expires December 31, 2021. The relief is an important measure because it supports new and expanding farmers in growing their business. For example, a young farmer converting from a beef to dairy enterprise will require substantial investment in livestock.

IFA proposes:

- The relief is renewed post-2021.
- The age limit of 35 is retained.

2.1.4 Enhanced Stock Relief for Farm Partnerships

The 50% stock relief on income tax for registered farm partnerships expires December 31, 2021. This relief incentivises lifetime transfers of farms and encourages increased productivity. This relief is subject to a €15,000 limit over three years due to De Minimis State Aid regulations which constrains its effectiveness.

IFA proposes:

- The relief is renewed post-2021 with the total State Aid ceiling increased to €30,000.

2.1.5 Succession Tax Credit

The succession tax credit is an annual €5,000 tax credit for succession farm partnerships for up to a maximum of five years. It was introduced to encourage experienced farmers to form partnerships with young trained farmers and to plan for the gradual transfer of ownership of their farms to those young trained farmers.

The tax credit also enables young farmers to invest in the farm business through capital expenditure. Expanding this tax credit to include off-farm income will further empower a young farmer to invest in farm buildings, stock, machinery and land.

In order to qualify, a farmer must agree to transfer at least 80% of the farm assets to a chosen successor within a specified period. This high level of transfer may not provide an experienced farmer with adequate financial security and leave them in a vulnerable position going forward. We must protect

the transferor and limit their exposure to financial precarity.

The stipulation that the identified successor must be under 40 years of age and have obtained the necessary qualification will ensure for timely lifetime transfers and increase the productivity of the farm.

In 2017 and 2018 there were only 175 and 290 farmers respectively who availed of the relief⁵. This measure can deliver wide-reaching benefits in terms of health and safety, rural development, and environmental sustainability if uptake is increased. The investment which this measure enables also creates spin-offs for the local and associated economy.

IFA proposes:

- In order to increase uptake, the relief should be extended to a young farmer's off-farm income for three of the five years to allow the young farmer to invest some off-farm income in order to develop and expand the farm.
- The percentage of farm assets that a transferor must agree to transfer to the successor should be reduced.
- The age limit of 40 is retained.

2.1.6 Ceiling for Young Trained Farmer Reliefs

As a result of De Minimis State Aid, the Young Trained Farmer Stamp Duty Relief was capped in the Finance Bill of October 2018, where it was amalgamated with the Succession Tax Credit, Enhanced Stock Relief for Young Trained Farmers and Enhanced Stock Relief for Farm Partnerships, and a lifetime limit of €70,000 was applied. The use of State Aid by a member state can be justified if it is in line with the objectives of CAP, and one of the nine pillars of CAP is for generational renewal. IFA believes that the ceiling is constraining young farmers in the development of their farm business plans and restricting the new generation from entering into the sector. For example, a young farmer converting from a beef to dairy enterprise may require substantial investment in land. This ceiling acts as a deterrent to timely lifetime transfers and removing this ceiling will allow for greater land mobility, encourage land transfer and develop economically viable farm units..

IFA proposes:

- Young Trained Farmer Stamp Duty Relief should be fully removed from State Aid or the ceiling be increased to €150,000, to allow for greater land mobility, encourage land transfer and develop economically viable farm units.

2.1.7 Consanguinity Relief

Consanguinity relief remains a vital relief to reduce the stamp duty burden on non-residential transfers. In 2018 and 2019, there was 1,355 and 1,605 claims of the relief. This relief rightly recognises the high prices of agricultural land relative to the low margin it generates and helps to reduce the cost of inter-generational transfers. The imposition of an age limit on a transferor in order for a transferee to avail of the relief will negatively impact on farm transfer and planning.

IFA proposes:

- Consanguinity relief is retained in its current form.

2.1.8 Agricultural/Business Relief Capital Acquisition Tax (CAT) Values

90% Agricultural Relief from Capital Acquisitions Tax is a hugely important support for the intergenerational transfer of family farms. Its retention for active farmers was a very positive move, ensuring that transferred land is put into productive use.

IFA proposes:

- The retention of 90% Agricultural is critical to support the transfer of economically viable family farms. IFA also supports the commitment in the Programme for Government *Our Shared Future* to increase the Category A threshold (parent and child) from the current rate of €335,000 to €500,000 in future budgets.
- Due to changing demographics and family structures, the Favourite Nephew or Niece Relief should be extended to a Favourite Successor Relief, allowing the farm to be gifted to someone who would be in a better position to continue farming the land. The movement from Category B/C threshold to Category A would allow for less of a tax liability, protecting the sustainability of the farm and promote land mobility.
- No age limit requirements should be imposed on farmers seeking to avail of the relief when transferring land between generations.

2.1.9 Agricultural Relief for the Genuine Farmer

Agricultural relief is a critical tool in facilitating inter-generational farm transfer. While IFA welcomes the Agricultural Relief for CAT, there is a need to protect the active/genuine farmer and maintain the integrity of the relief as a targeted incentive for farmers, as referenced in objective 2, recommendation 9 of the Agri-Taxation Report 2014. There is concern that the relief is potentially being exploited by investors as a mechanism to reduce the tax burden when transferring wealth.

IFA proposes:

- To avail of Agricultural relief, the transferor or transferee – or a combination of both – must pass the active farmer test set out under the current Agricultural relief clause for a minimum of 15 years.
- Where the above condition is met; to avail of Agricultural relief, the retention period of the individual receiving the gift or inheritance remains at 6 years.
- With effect from the passing of the legislation, where land is purchased by an investor; the retention period of the individual receiving the gift or inheritance should be increased from 6 to 15 years in respect of a claim for agricultural relief.
- In addition, where land is purchased by an investor; any periods where land is leased to an active farmer do not count towards the retention period.

2.1.10 Renewal of Agri-Tax Reliefs

The renewal of agri-taxation reliefs on Budget Day for the year end causes uncertainty and distress for farm families working to transfer their land to the next generation.

IFA proposes:

- Reviews and renewals of reliefs should be announced in advance of Budget Day in October.

2.1.11 Collaborative Farming Partnership Fund

The scheme provides financial support to encourage farmers to form partnerships which improve scale and efficiency in farming. The payment is calculated up to 50% of the vouched (VAT exclusive) cost for each of the legal, advisory and financial services incurred in the drawing up of the Farm Partnership Agreement, up to a maximum payment of €2,500. The grant has been successful in encouraging the growth of young entrants into farming and the sustainability of family farms by the reduction of costs.

IFA proposes:

- This essential grant, the funding for which is diminishing, is extended post-2021.

2.1.12 Capital Gains Tax (CGT) Entrepreneur Relief

IFA recognises the introduction of CGT Entrepreneur Relief in recent budgets to encourage investment in businesses and to reward risk-taking and entrepreneurial behaviour. From 1st January 2017, a reduced CGT rate of 10% applies to the disposal, in whole or in part, of qualifying business assets up to an overall lifetime limit of €1m of chargeable gains.

IFA proposes:

- If a landowner wishes to sell land to a long-term tenant, then the CGT Entrepreneur relief of 10% should apply to incentivise supporting the genuine farmer and giving the long-term tenant preferred status.
- Agricultural land that is subject to Compulsory Purchase Order (CPO) should not be categorised as 'development' land and should still qualify for CGT Entrepreneur relief. Farmers cannot be disadvantaged by the State's decision to initiate a CPO.
- The lifetime limit of €1m on the CGT Entrepreneur relief should be increased in Budget 2022. The enhancement of CGT Entrepreneur Relief is an important measure to encourage risk-taking and investment, and the subsequent disposal of business assets during an individual's lifetime.

2.1.13 Interaction of CGT Entrepreneur Relief and CGT Retirement Relief

CGT Retirement Relief for disposals outside of the immediate family (i.e., disposals other than to a child) on lifetime amounts up to €750,000 provide a valuable safety net to many small business owners, allowing them to provide for their retirement. Under the current legislation, there is an interaction between the two reliefs, which are both subject to a lifetime limit. Where some or all of the CGT Entrepreneur Relief has been used up by an individual, the amount of CGT Retirement Relief that remains available to them will be significantly diminished, or, in some cases, fully used up.

IFA proposes:

- The interaction between the two CGT reliefs should be removed allowing both reliefs to operate separately. An individual should be able to avail, in full, of the CGT Entrepreneur Relief and the CGT Retirement Relief over the course of their lifetime, subject to satisfying the qualifying conditions of each relief

2.1.14 Agricultural Relief – Removal of Individual Qualifying Criteria

The retention of 90% Agricultural Relief for active farmers in Budget 2015 was a critically important move, allowing for the transfer of family farms of a scale sufficient to generate a livelihood for the next generation, without burdening the new farmer with a major tax bill at the outset of their farming career.

However, the qualifying criteria for Agricultural Relief, both the 80% asset test and the 'active farmer' requirement, are individual criteria. Where the spouse may not be intending to actively farm at the time of the farm transfer, or where their assets are such that they would not meet the 80% qualifying criteria, the farm is unlikely to be transferred into joint ownership. By missing the opportunity, at the time of

inter-generational transfer, to transfer the farm into joint ownership, this may prevent the farm ever being transferred into both spouse's names, and, therefore, usually reduce female participation in agriculture.

If the asset is transferred into joint names initially, then there is likely to be a higher active participation by the two spouses in the running of the farm enterprise. To qualify for the Young Trained Farmer Stamp Duty Exemption, only one spouse must meet the qualifying criteria if land is transferred into joint ownership or jointly purchased by spouses. IFA believes that a similar exemption should be extended to the Agricultural Relief qualifying criteria.

IFA proposes:

- To encourage the transfer of a family farm into joint ownership at the time of inter-generational transfer, IFA believes that 90% Agricultural Relief should apply where the farm is transferred into joint names, and where the 80% asset test and the active farming requirement is satisfied by either spouse.

2.1.15 Forestry & CAT / Stamp Duty Relief

The promotion of farm forestry is key for Ireland to achieve its environmental goals in terms of climate change and the renewable energy targets. When farmers enter into forestry, it is a long-term commitment of land-use. Biodiversity is also key target for Ireland, with mixed farming being encouraged. Land with forestry is currently defined as being agricultural for CAT Agricultural Relief, providing those trees are being grown on over 50% of the land; if they cover a smaller amount of the land, the Relief cannot be applied unless the land is split into separate folios of forestry and agriculture.

However, with Stamp Duty, land with woodlands growing on a commercial basis does not qualify for reliefs and is subject to the 7.5% rate. Currently the differing definitions cause unnecessary complications and complexities and are a barrier to investing in, transferring, or selling forestry.

IFA proposes:

- If any percentage of the farm is dedicated to farm forestry, it should be defined as agricultural land and the CAT Agricultural Relief applied to the whole farm.
- Farm forestry is treated in a similar manner in relation to the Consanguinity and Young Trained Farmers Stamp Duty Reliefs as it is with CAT Agricultural Relief, where it is defined as agricultural land.
- Where a non-farmer buys forestry, the normal commercial rate of stamp duty should apply to the full value of land and timber. This is required to ensure forestry remains primarily in the hands of genuine farmers.

2.1.16 Extending 10-year Ownership and Usage Period for CGT Retirement Relief to Spouse for Lifetime Transfers

The agri-taxation review 2014 report identified an anomaly in the taxation system whereby the transfer of the 10-year ownership and usage qualification between spouses in the context of retirement relief from CGT is only allowable where a farm transfer occurs on the death of one of the spouses. Where the farm is transferred into joint ownership while both parties are alive, the spouse who takes joint ownership at that stage must own and farm the asset for the next 10 years before they can qualify for CGT Retirement Relief. This is preventing farm transfer into joint ownership and is a disincentive to female participation in agriculture.

IFA proposes:

- Where a farmer has owned and used an asset for 10 years and the asset is transferred into joint names, the transferee spouse should inherit the same time ownership and usage status.

2.2 Income Volatility

Income volatility, resulting from product price and/or input cost fluctuations and weather events, is a constant feature of farm businesses. However, the added impact and damage of COVID-19 causing disruption to supply chains has magnified this issue. The introduction of additional targeted measures is required to allow farmers to directly manage risks in their own enterprises.

2.2.1 Income Averaging

Income averaging for farmers is recognition that income in the sector is volatile and the annual tax liability can vary significantly. This measure allows farmers to pay tax on the averaged profit and losses of their farming trade over a period of 5 years. The step-out facility for exceptional years (once in a five-year period) allows farmers to pay their tax on the basis of actual income in that year, rather than the average income.

To provide relief for farmers who were adversely impacted by the Covid-19 restrictions, an additional option to step-out of averaging was provided for the year of assessment 2020, notwithstanding that the farmer may also have temporarily stepped out of income averaging in one of the four preceding tax years.

IFA proposes:

- A farmer should be allowed to 'step-out' of income averaging more than once in a five-year period, where they are not carrying an unpaid deferred tax amount from a previous 'step-out', providing a strong incentive to repay the deferred tax also. The additional option to step-out of income averaging introduced for 2020 has laid the way for the permanent retention of 2 'step-out' years per 5-year cycle. For example, if the farmer 'steps out' from income averaging in Year 1 and repays the deferred amount in Years 2 and 3, they should be eligible to 'step-out' again in Years 4 or 5 of a cycle.

2.2.2 Agricultural Rainy-Day Fund

Based on the Government's Rainy-Day Fund, which was developed to enhance the resilience of the Irish economy and public finances to withstand future economic and financial shocks, it is vital that a similar scheme is available to farmers operating across all sectors. Over the past 12 months we have seen the advantage of such a fund as the Government was able to increase public expenditure during the pandemic with the help of its Rainy-Day Fund. This voluntary mechanism would be open to all farmers and would permit them to defer a percentage of their annual receipts. This will create a buffer and ensure the long-term sustainability of the sector, which is very volatile.

IFA proposes:

- The introduction of an agricultural Rainy-Day Fund, which allows all farmers to put aside a small percentage of their gross receipts, whether in their co-op, specially assigned bank account or State Farm Volatility Fund, which could be used by the National Treasury Management Agency (NTMA).
- The deferred funds could subsequently be draw down within the next 5 years and the tax due would be paid on the year of withdrawal; similar to how companies are allowed to offset their losses to protect the viability of the business by carrying it forward from a loss-making year to a profit-making year.

2.2.3 Stock Relief

Stock relief is available to any person carrying on the trade of farming, the profits from which are chargeable to tax under Case I of Schedule D. Those farmers are entitled to an income tax deduction in respect of increases in the value of their farm trading stock. The term "trading stock" refers to items which are sold in the ordinary course of the farm trade such as farm produce and direct inputs. The standard 25% stock relief on income tax for farmers expires December 31, 2021.

IFA proposes:

- The relief is renewed post-2021.

2.3 Removing Discrimination in the Tax System**2.3.1 Vaccines and Herd Health Products**

The threat of Antimicrobial Resistance (AMR) to global public health is recognised by the World Health Organisation (WHO) and nationally through Ireland's National Interdepartmental Action Plan for AMR, involving the Departments of Health and Agriculture, which set out key objectives to reduce the threat. The European Commission's 'Farm to Fork' Strategy is seeking to reduce the overall EU sales of antimicrobials for farmed animals and in aquaculture by 50% by 2030.

Non-oral or pour-on animal medicines are safer to administer than oral medicines. Moreover, the administration of preventative vaccines during quieter periods of the farming season is safer than reacting to outbreaks of disease during busy periods by administering curative medicines.

Cost-effective vaccines and preventative treatments are vital tools for farmers to reduce the need for antibiotics on farms as part of herd health programmes. VAT on non-oral animal medicines, including vaccines, is applied at the standard rate 23%, while for oral animal medicines a zero-rate of VAT applies.

IFA proposes:

- The Government should apply 0% VAT rate on non-oral animal medicines and vaccines to increase uptake.

2.3.2 Reduced Excise Duty for Apple Cider Growers

In 2020, the EU Structures Directive on Excise was agreed by the European Council. Included in the Structures Directive is a revision which enables the extension of the excise relief programme, currently enjoyed by microbreweries, to include small-scale cider producers. The Structures Directive effectively gives permission for all EU Member States to offer a 50% excise relief for craft cider producers from January 2022. A 50% duty rate on the first 15,000 hectolitres would put small-scale cider producers on a similar footing, in terms of duty payable, to microbrewers.

The establishment of a reduced excise duty band would encourage new entrants into cider making and would support established small-scale ciders in their development. Since the introduction of the excise relief for microbrewers, the craft beer industry in Ireland prospered as it enabled microbreweries to compete in a market dominated by large multinational conglomerates. The excise relief will also have downstream income benefits for apple growers, tourism, hospitality and potentially increase the quantity of carbon sequestration achievable by apple orchards.

IFA proposes:

- Cider producers manufacturing less than 15,000 hectolitres per annum of cider be permitted to avail of an excise relief programme from 1st January 2022.
- The excise relief should offer a 50% reduction in excise for small-scale apple cider producers.

2.3.3 Universal Social Charge for the Self-Employed

USC is a tax payable on gross income by employees and the self-employed. A surcharge of 3% is applied to any self-employed income over €100,000, resulting in a total of 11% USC applied on any proceeds over €100,000.

IFA proposes:

- The discrimination of the application of the USC between PAYE and self-employed earners must be removed, aligning the self-employed with PAYE workers.

2.3.4 Tax Treatment of Payments Received for Use of Forestry Land by a Third Party

Compensation received for use of forestry lands from a third party (e.g., utility company) is deemed to be for a partial disposal of their land and therefore subject to Capital Gains Tax. In some cases, a portion of the payment received is in lieu of the forestry premia income and therefore should not be taxable.

IFA proposes:

- Payment for the loss of this income i.e., forestry premium, should not be subject to Income Tax or Capital Gains Tax.

2.4 Environment

2.4.1 Carbon Tax⁶

The Finance Act 2020 legislated for an increase in the Carbon Tax from the current level of €26/t to €100/t by 2030. This increase will have a negative impact on agriculture in Ireland, as it will increase production costs at farm level and across the supply chain. This will result in a reduction in the profitability of Irish agriculture. The issue is particularly acute inside the farm gate where there is no alternative to agri-diesel (Marked Gas Oil) for farmers or agricultural contractors. The current rebate system is too cumbersome and it is not open to all farmers. Therefore, carbon tax undermines the competitiveness of the agricultural sector and the planned future increase will have a huge impact at farm level over the next ten years.

IFA proposes:

- The Government has to honour its commitment in their Programme for Government *Our Shared Future* to allocate €1.5bn of carbon tax receipts over the next 10 years to a new 'REPS-2' agri-environmental scheme.

2.4.2 CGT / CAT Reliefs – Solar Leases

The amendment of Section 34 in the 2017 Finance Act extended the definition of assets that can benefit from CGT Retirement Relief and CAT Agricultural Relief to include leased land on which solar panels have been installed. Under the Act land being disposed of, still benefits from the aforementioned reliefs, provided the area of land on which solar panels are installed does not exceed 50% of the total area of land concerned. Unfortunately, ongoing ambiguity surrounding the legislation is deterring many farmers from considering entering into land leases for solar projects.

IFA proposes:

- The legislation is amended to give greater clarity and avoid the uncertainty that is impeding solar panel projects on farms. The calculations used to determine the area of land on which solar panels are installed, should only include the footprint of the structures mounting solar panels, ancillary equipment and service roadways (i.e., areas not capable of being grazed) and should exclude any area capable of being grazed by agricultural livestock either under, around or in between panels, ancillary equipment and roadways.

2.4.3 Emission-Efficient Equipment / Capital Investment Incentive

As we face increasing environmental measures under CAP Reform and Farm to Fork proposals in the coming years, it is essential that incentives are put in place now to allow farmers to make the necessary changes to their businesses so that they are compliant with new regulations.

IFA believes that investment in emission-efficient farm equipment should be incentivised, similar to the incentive available under the Sustainable Energy Authority of Ireland (SEAI) Accelerated Capital Allowance scheme for energy efficient equipment/buildings. Increased investment in emission-efficient equipment should be encouraged as part of the comprehensive response of Irish Agriculture to meeting the United Nations 2030 climate change targets.

IFA proposes:

- Farm equipment, which contributes to increased emission efficiency, such as LESS equipment or capital investment in developing bioeconomy supply chains, should qualify for accelerated capital allowances. This would be provided through an enhanced SEAI Accelerated Capital Allowance Scheme, or through a parallel scheme, which would operate under the same structures – i.e., 100% capital allowances for investment in equipment that is independently certified and listed by a qualifying authority.
- Farm equipment, which contributes to increased emission efficiency, such as LESS or capital investment in developing bioeconomy supply chains, should be exempt from VAT.

2.4.4 Carbon Tax Relief

Carbon Dioxide (CO₂) enrichment is an essential part of the production process for protected crops grown in Ireland. The crops which benefit most from CO₂ enrichment are tomatoes, cucumbers and peppers. CO₂ enrichment of crops is achieved by extracting the exhaust gases from fuels used for heating the crops. This means much of the carbon released is recaptured and used by the growing crop.

IFA proposes:

- Glasshouse growers of food crops using CO₂ enrichment, should be granted a Carbon Tax relief/rebate.

2.4.5 Excise Duty on Fuel

The departure of the UK from the EU presents significant challenges to logistics in the agri-food sector.

IFA proposes:

- The current rates on fuel and diesel remain unchanged.

2.5 Health and Safety

2.5.1 Sugar Sweetened Drinks Tax (SSDT)

IFA recognises the rationale behind the SSDT incentive for the promotion of healthy eating. It applies at a rate of 24.39c per litre where drinks have 8g or more of sugar per 100ml, while 16.26c per litre is taxed on drinks with between 5g and 8g of sugar per 100ml. The tax generated €31.3m in 2020, down from €33.04m in 2019.

IFA proposes:

- The revenue generated from the sugar tax on sweetened drinks, should be directed towards the promotion of the consumption of fresh and healthy Irish produce.

2.5.2 Farm Safety Incentive

The fatality rate in Irish agriculture is higher than in any other economic sector. Under the current flat rate review, IFA is seeking inclusion, under a separate category, of Personal Protective Equipment (PPE) to minimise risk on farms.

IFA proposes:

- Non-registered farmers should have the option to reclaim VAT on the cost of purchasing and maintaining farm safety equipment to help maintain best safety standards, via the VAT 58 form.



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