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2023 Budget Report

The Irish Farmers' Association September 2022



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1. Introduction – Background and Overview of Budget 2023

Budget 2023, the 'Cost of Living' Budget, is framed within the context of significant global uncertainty and concerns that, given its likely persistence, Ireland may face a period of higher prices and slower economic growth in the short-term.

Sharp increases in the cost of living, derived in the main from the war in Ukraine and risk of an evolving EU energy crisis, have seen a weakened Euro; sharp pick-up in inflation; tightening Central Bank policies and rising interest rates to redress.

Longstanding international challenges - including Covid-19, Climate Change and Brexit-related uncertainties - remain ever present too, adding to the mix, compounded by domestic competitiveness issues and capacity constraints (labour shortages, rising wages, and housing costs).

The challenge for Government, nationally and indeed internationally, is one of prioritisation, and in the short-term achieving a balance between protecting the most vulnerable against the rising cost of living and stoking inflation even further. What they have been clear on is that measures will be mitigating in nature rather than fully compensatory.

Nationally, a continuation and reliance on temporary, targeted measures was the preferred approach. These targeted measures will quickly come into force (i.e. by year end), and be paid either directly into people's pockets or limit personal expenditure.

A positive note is Ireland's rapid recovery after the Covid-19 pandemic and the degree to which increased funding is available to tackle the 'Cost-of-Living' crisis; maintaining "existing levels of service" and capital spending. Assuming spending is in line with what is projected for the rest of the year, a surplus approaching €4.5bn for 2022 is likely. This compares to the Summer Economic Statements projection of a €1.2bn surplus.

Headline inflation in Ireland, as estimated by the Department of Finance, is forecast at 8.5% for 2022, and over 7% for 2023. Non-Energy, or 'core' inflation have been revised upwards to 5.25% this year, and over 4.5% next year.

Tighter financial conditions and heightened economic uncertainty will see firms hold back on investment. The Department of Finance have revised downward their forecast for Modified Domestic Demand – the most appropriate measure of our domestic economy – to 1.25% for next year.

2. Main changes to the Agriculture Budget

The Agriculture Budget has been increased by €283m to €2.14bn. While the headline figure points to a 12.5% increase, when once-off allocations from Covid-19 support, Brexit Adjustment Reserve and the Ukraine Humanitarian Response allocation are excluded, the Department's proposed budget is at similar levels to 2022.

2.1 Agricultural Taxation

Extension of agri-taxation measures nearing end December 2022 deadline:

Subject to negotiations at EU level on the Agricultural Block Exemption Regulations, all 5 outstanding Agri Taxation measures have been extended:

- Partnership stock relief (50%) and Young Farmer stock relief (100%) extended until end of 2024.
- Young Trained Farmers (<35 years old) stamp duty relief is extended until end of 2025.
- Farm restructuring relief (full/partial CGT exemption on lands disposed/exchanged to consolidate holding) extended until end of 2025.
- Farm consolidation relief (1% stamp duty vs. general rate of 7.5%) extended until end of 2025.

Inheritance Tax

- No change in Inheritance Tax ceilings; Capital Gains Tax arrangement, rates or rules.

Corporate Taxation

- No change for farms operating as companies, with tax rate remaining at 12.5%.

VAT Flat Rate Decline

- From January 1st 2023 the VAT Flat Rate refund will reduce from 5.5% to 5% for non-registered farmers. This reduction is based on macro-economic data received from the CSO and the Revenue Commissioners for the period 2020-2022 in accordance with criteria set down in the EU VAT Directive.
- The estimated annual cost of this change is €46m to farmers.

Accelerated Capital Allowances Scheme

A three-year scheme of accelerated capital allowances for farmers for the construction of slurry storage facilities has been introduced. There are conflicting statements within the budget documents regarding the structure of the allowance, however the Minister has since confirmed that such investments can be written off over two years as distinct from the normal seven year write off period.

2.2 Farm Schemes

Key features of the Budget include:

- Approximately €218m for Agri-Environment Schemes including:
 - €200m to allow 30,000 new farmer participants into the ACRES scheme next year
 - Approximately €18m for Locally-Led Environmental Schemes to fund a large-scale water quality scheme on farms and to fund new calls for EIPs in Q1 2023 on biodiversity, climate, rural environment and farm safety.
- €105m in targeted beef and sheep supports:
 - to include a new scheme to continue measures previously funded under BEEP-S, subject to EU Commission approval and will sit alongside the new €150/cow Suckler Carbon Efficiency Programme.
- €10m for the continuation of the Tillage Incentive Scheme into 2023.
- €30m Fodder Support Scheme, to be paid in December 2022.
- A new €8m Liming Scheme, as well as an enhanced Multi-Species Swards/Red Clover scheme.
- €37m in support for the Organic Farming Scheme, an increase of 80% on 2022.
- A 12% increase in the forestry budget to €112m to fund the new National Forestry Programme to be announced later in the autumn.

- Funding of €13.3m to extend the Farm Environmental Scheme and the Soil Sampling Scheme for another year.
- A targeted budget of €3m for pilot anaerobic digestion investment in 2023. The allocation will continue over the next 4 years, totalling €12m, to kick-start a farm-based anaerobic digestion sector in Ireland.
- An increase in the TAMS budget to €90m to fund the proposed large-scale investment in on-farm renewables for farmers, subject to the approval of the European Commission. This will fund the proposed increase to 60% grant rate and a stand-alone investment ceiling of €90,000 per solar installation. As an immediate step, farm dwellings are now eligible for inclusion for solar panel investments as a cost-of-living measure. Further clarity is awaited on funding breakdown of this initiative.

2.3 €1.25bn Temporary Business Energy Support Scheme

- Revenue administered Temporary Business Energy Support Scheme targeted at small businesses, aquaculture, and farms that carry on a Case 1 trade; are tax compliant and have experienced a significant increase in their natural gas and electricity costs.
- Scheme will operate on a self-assessment basis and require businesses to register for the scheme and to make claims within the required time limits (advised September to February).
- If the increase in average unit price (2022 vs 2021) is more than 50% then the business would be eligible for support under the scheme.
- Support will be calculated on the basis of 40% of the amount of the increase in the bill amount.
- A monthly cap of €10,000 per trade will apply and an overall cap will apply on the total amount which a business can claim.
- The scheme is being designed to be compliant with the EU State Aid Temporary Crisis Framework and will need to be approved by the EU Commission in the advance of making payments.

2.4 Excise cut on fuel

- Excise reductions on petrol and diesel (21c/l Petrol; 16c Diesel; 5.4c/l Green Diesel) will continue into the new year until 28th February.

2.5 Brexit Adjustment Reserve

- It has been announced that there will be a proposed allocation of €238 million from the Brexit Adjustment Reserve (BAR) for measures to alleviate the impact of Brexit on the sector. No detail of the proposed breakdown of the BAR funds has yet been provided although, based on information to hand, the bulk of this funding is likely earmarked for the seafood sector & coastal communities.

2.5 Aquaculture

- There is no direct aid for Irish Aquaculture businesses facing crippling input costs. The only direct mention of 'Marine' sector in both Ministers speeches was in relation to €4.3m allocated to establish Maritime Area Regulatory Authority (MARA) in 2023 to 'enable ambitions in the Offshore Renewable Energy sector'. On a concerning note, MARA does not include the regulation of Aquaculture. It is disappointing that DAFM did not activate the provision given by the EU Commission to reallocate €5.5m of currently unallocated EMFF funds to address challenges specific to the Seafood sector due to the Ukraine crisis.

3. Other relevant expenditure areas

3.1 Carbon Tax

- Total €623m carbon tax revenue available in 2023 for investment, of which almost half will be invested in improving the energy efficiency of homes; €218m will be spent on Social Protection measures; and €81m to DAFM, used to fund the new agri-climate rural environment scheme detailed in Ireland's CAP Strategic Plan 2023.

3.2 Rural and Community Development

- €390m invested in Rural and Community Development.
- Additional funding of €0.5m has been allocated to CLÁR for 2023.
- In the context of the forthcoming National Outdoor Recreation Strategy, €1m in additional funding has been allocated for the Outdoor Recreation Infrastructure.
- Funding for the next iteration of the LEADER programme, which is due to commence in 2023, will be included under the allocation. The LEADER programme aims to support the economic and social development of rural areas and the offshore islands, and to contribute to regionally balanced development.

3.3 Heritage

€147m is allocated to conserve and manage Ireland's heritage. While specific allocations are not outlined, nevertheless farmers will partly benefit through delivery of conservation projects under LIFE and other funding instruments. Also included is an expanded NPWS Farm Plan programme, raised bog restoration and conservation of protected peatlands, including raised bog compensation schemes.

3.4 Finance

€500m 'Growth and Sustainability Loan Scheme' (GSLs)

New low-cost loans for SME's (including farmers, fishers and food businesses) to invest in sustainability and energy efficiency – full details not yet available.

Ukraine Credit Guarantee Scheme

Scheme to assist businesses, including farmers, fishers and food businesses in meeting their liquidity and investment needs – full details not yet available.

4. Main Taxation measures

4.1 General Taxation

Income Tax

- Increased main tax credits (Personal, Employee and Earned Income Credit) by €75 to €1,775.
- Increased the Home Carer Tax Credit by €100 to €1,700.
- Increased income threshold (+€3,200) to €40k before 40% rate applies.

Universal Social Charge (USC)

- Increasing the second USC rate band (2 per cent rate) by €1,625 from €21,295 to €22,920 to align with 80c/hr increase in new Minimum Wage.
- Concession that applies to those who have a medical card and earn less than €60,000 per year, extended such that those individuals pay a reduced rate of USC.

The USC Rates & Bands from 1 January 2023 will be:

- Incomes of €13,000 are exempt.

Otherwise:	€0	–	€12,012 @ 0.5%
	€12,013	–	€22,920 @ 2%
	€21,921	–	€70,044 @ 4.5%
			€70,045+ @ 8%

- Self-employed income over €100,000 @ 3% surcharge.

(The reduced rate of USC for medical card holders is being extended for a further year).

Employers' PRSI

- No change in PRSI for the self-employed.

VAT:

- VAT cut for the tourism & hospitality sectors (9%) runs until end February 2023.
- VAT on print media reduced to zero from January 1st 2023.
- VAT on defibrillators to zero from January 1st 2023.

Carbon Tax:

- As set out in Finance Act 2020, rate per tonne of carbon dioxide emitted for petrol and diesel will increase €7.50/tonne (c.2c/l VAT inclusive) from 12 October.
- Government to offset this carbon tax increase with a reduction to zero of the National Oil Reserves Agency (NORA) levy (equivalent c.2c/litre).

New Concrete levy introduced:

- Levy to be introduced on concrete blocks, pouring ready-mix and certain other concrete products from 3rd April 2023 at a rate of 10%.

Small Benefit Exemption

- Annual exemption limit increased from €500 to €1,000.
- Will permit two vouchers to be granted by an employer to a employee in a single year under the exemption.
- Changes will apply to the current tax year.

4.2 Zoned Residential Land Tax

- Introduced in Finance Bill 2022, 3% annual market value tax on zoned residential and serviced land comes into force from 2024.
- County Development Plans, outlining potential liable lands, will be available for review in Local Authorities from November 1st with opportunity to appeal inclusion/exclusion as desired. Essential farmers review.
- Amendments will be made to Finance Bill 2022 to streamline administration process – details unknown.

5. Social Protection and Associated Services

5.1 Social Protection

Welfare / Cost of Living Payments

- €600 energy credit for all households (3 instalments; first pre-Christmas).
- €400 lump sum payment, paid before Christmas, to recipients of fuel allowance.
- One-off double week "Cost of Living Support" payment to all qualifying social protection recipients (pensioners, carers, people on disability payments and jobseekers); paid in October.
- Normal Christmas Bonus will be paid in early December.
- Additional €500 lump payment to those in receipt of the Working Family Payment (paid in Nov).
- Double Child Benefit payment to all qualifying households (paid in Nov).
- €500 to those who qualify for the Carer's Support Grant (paid in Nov).
- One-off payment before Christmas of €200 to recipients of the Living Alone Allowance.
- One-off payment of €500 to those who qualify for Disability Allowance, Invalidity Pension and the Blind Pension (paid in Nov).
- €12 increase on weekly social welfare payments & State pensions with proportionate increases for qualified adults.
- Increasing the Working Family Payment threshold by €40 per week.
- From 1st January, the qualifying income threshold for the Fuel Allowance will increase from €120 to €200 above the relevant rate of the State Pension Contributory. For over 70s the weekly Fuel Allowance means limit will increase to €500 for single people and €1,000 for couples.
- Domiciliary Care Allowance increased by €20.50 to €330.
- Top-up payment to participants on the Community Employment, TÚS and Rural Social Scheme increased by €5 to €25 per week.

5.2 Health

- Free GP care extended to c.400,000 people with care free for those aged six to seven by the end of the year.
- More than 430,000 people will be eligible to receive a GP visit card.
- Hospital charges for all adults abolished (currently €80 adult in-patient charge).
- €14m allocated for emergency placements for mental health.

Childcare

- Funding to support a reduction of up to 25% in the weekly fee for those availing of the National Childcare Scheme.

5.3 Education:

- An additional 1,194 special needs assistants and 686 special education teachers.
- Parents of primary school children can avail of free school books from next September.
- One-off reduction in the Student Contribution of €1,000 for eligible students in the 2022-2023 education year, and a once-off double monthly payment for those in receipt of the SUSI maintenance grant.
- €1,000 increase to the post graduate tuition fee contribution grant.

- Funding in 2023 to reduce the Student Contribution Fee by €500 for eligible families earning between €62,000 and €100,000. The income limit to qualify for a 50 per cent reduction in contribution fees under SUSI will be increased from €55,240 to €62,000 and all SUSI maintenance grants will be increased by between 10 and 14 per cent in September 2023. The Post-Graduate Fee Contribution for eligible students of €3,500 will increase by €500 and the PhD stipend will increase too.

5.4 Rural Services:

- Funding secured to enable sports clubs to pay for floodlighting and to cover other energy costs.
- Funding to recruit a further 1,000 Gardaí into the Garda College next year. An additional 430 Garda civilian staff will also free up more frontline Gardaí for core policing duties.
- A new recruitment campaign next year will also help deliver 200 new recruits entering Templemore every three months over the coming years.
- €5m increase in the overtime budget for An Garda Síochána (to over €100m) to tackle crime and anti-social behaviour in rural communities.
- Additional 18,000 farms ready to be connected to high-speed broadband in 2023 under National Broadband Plan.

6. Housing

- A tax credit for renters of €500 this year, and similar next year.
- Help to Buy scheme for first-time home buyers (gives a tax rebate of €30,000) is extended to end 2024.
- Pre-letting expenses regime for landlords doubled to €10,000 per premises and by reducing the period for which a premises must be vacant from twelve to six months.
- New Vacant Homes Tax introduced – will apply to residential properties which are occupied for less than 30 days in a twelve month period. Will operate on a self-assessment basis and will be administered by the Revenue Commissioners. The tax will be charged at a rate equal to three times the property's existing basic Local Property Tax rate.

7. Other 'Cost of Living' measures

7.1 Public transport

- 20% public transport fare reduction extended and the Youth Travel Card discount of 50% on all operators' services to end 2023.