



# IFA

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## 2023 Budget Submission

The Irish Farmers' Association July 2022



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# IFA

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## Introduction

Firstly, it is important to acknowledge the Government on how, to date, they have addressed the public health, economic uncertainties and financial challenges posed by successive and persistent global events. It shows what can be achieved by swift, targeted and innovative action in times of crisis.

Ireland has rebounded strongly as restrictions eased and public finances are currently in a relatively strong position relative to what was initially feared when Covid-19 took a grip on global economies and Governments, internationally, struggled to balance the personal safety and living standards of its citizens alongside the need to sustain key economic activities and national debt to manageable levels.

Ireland was the only EU country not to experience a recession during the pandemic<sup>1</sup>. The resilience of the taxation system has been remarkable, with exceptionally strong performance reported in the first six months of this year and €7.4 billion more in tax collected (+25% vs corresponding period last year). Corporation tax receipts were €3bn higher, +53% year-on-year. Employment is at record levels (over 2.5m people at work) and employment growth is reported in all regions. Unemployment is currently running at 4.7% vs. 21.7% Dec 2020.

The short-term outlook is however driven by uncertainties, stemming from the war in Ukraine and post Covid-19 macroeconomic developments, in particular global inflation pressures. On a per capita basis, Ireland is one of the most indebted countries in the world, with public debt at c.€234bn or 96.5% of national income. Borrowing costs, including sovereign borrowing costs, are now on a rising trajectory. Consequently, more than in recent past, revenue and expenditure will need to be aligned to avoid adding to national debt. Last year, Government strategy aligned core expenditure growth to trend growth rate of the economy, however may need to be reviewed given existing pressures. Risks related to a potential increase in interest rates are eased somewhat from the fact that only a small amount of Irish public debt has to be repaid in the short term<sup>1</sup>, albeit elevated interest rates and other external shocks will need to be accounted and planned for in the years ahead.

Future potential rises in capital expenditure related to increasing the housing stock and transitioning to a climate neutral economy will represent a challenge, as does the increased concentration risk on a relatively small number of corporate entities (€1 in every €8 collected is sourced from 10 multi-national companies), highlighting the need to rebalance our economy by focusing on the growth and productivity of our domestic sector, including its Agri-Food sector. Regarding increasing the housing stock, it is important to note that the **IFA strongly oppose the inclusion of farm land used for food production purposes within the remit of the Residential Zoned Land Tax**, introduced in the Finance Bill 2022 and to be implemented from January 2024. Further detail is provided at the end of this submission - see Appendix 1.

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1 European Commission. (2022). *Ireland – 2022 Country Report*



## Role of Irish agriculture sector

Despite operating within increasingly volatile global markets, and being afforded proportionately less State support (Figure 1), the agriculture sector continually proves its resilience and represents the foundation stone on which economic activity and employment (both upstream & downstream) revolve in many towns, villages and surrounds throughout rural Ireland.

The sector employed 163,600 people or 7.1% of total employment in 2020. Outside of Dublin and the mid-east region, the sector provides between 10% and 14% of employment. At an aggregate level, some 137,500 farms producing over €8.2 billion in output; over 770,000 hectares of forest; and over 2,000 fishing vessels and aquaculture sites producing fish with a value of €700 million, underpin the sector<sup>2</sup>.

Beyond direct employment and agricultural value, the sector, as noted, also plays a key role in the wider rural and local economy, with DAFM estimates for output multipliers ranging from around 2.5 for beef, 2.0 for dairy and food processing, and 1.75 for seafood. This compares with an average output multiplier of 1.4 for the rest of the economy and 1.2 for foreign owned firms.

While the integral role and importance of FDI to the national economy cannot be contested, the value of Indigenous industries too should not in any way be undervalued or diminished. DPER data suggests that aggregate Direct Expenditure<sup>3</sup> from Irish-owned firms are comparable with Foreign Owned firms (€27.6bn vs. €29.8bn), with significantly higher proportions of Food, Drink & Primary Production sales consumed locally relative to Foreign Owned firms – 75% vs. 9.7% respectively.

Figure 1: Composition of gross voted spending in the Appropriation Accounts (1922-2018) - % of gross spending (Source: O'Brien, D. (2022))

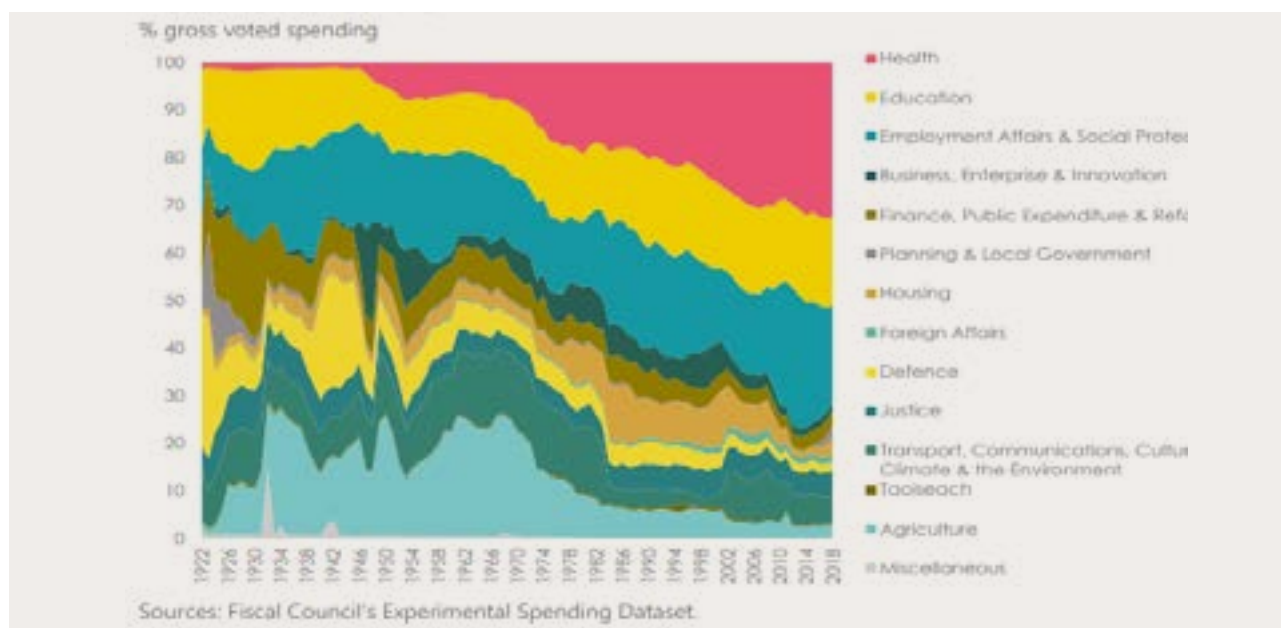


Table 1: Summary of Key Business Indicators (current prices) for Foreign-owned and Irish-owned firms, 2020

	2020 (€bn)			Share of Total 2020		
	Foreign-owned	Irish-Owned	All	Foreign-owned	Irish-Owned	All
Sales	306.7	46.9	353.6	86.7%	13.3%	100%
Exports	294.5	26.6	321	91.7%	8.3%	100%
Value Added	120.6	16.7	137.3	87.8%	12.2%	100%
Direct Expenditure	29.8	27.6	57.4	52.0%	48.0%	100%
Direct Expenditure as a % of Sales	9.7%	58.8%*	16.2%			

\* For Food, Drink & Primary Production firms, aggregate Direct Expenditure as a % of Sales equated to 75%

Note: Rounding may affect totals (Source: Department of Public Expenditure & Reform)

2 Annual Review & Outlook for Agriculture, Food & Marine (2021)

3 Direct expenditure reflects expenditure afforded to payroll and the purchases of Irish materials & services



It should also be noted, in the context of increased global uncertainty, and possibly recession, that it was the Agri-Food sector that was instrumental in pulling the Irish economy out of deep recession after 2008, but enjoyed limited benefits itself. Indeed, there has been a clear and obvious reduction in the farmers share of the value chain – see Table 2 below. In this regard it is critical to acknowledge the long-awaited establishment of the new Office for Fairness and Transparency in the Agri Food Supply Chain, which if afforded adequate authority and resources will be crucial in ensuring a fair share of the consumer euro goes to farmers, and in regulating unfair trading practices. It must however have full powers of investigation and be able to compel actors in the chain to provide them with real data and back up documentation. Just doing 'market analysis' based on 'publicly available' information will not redress or improve anything. We have enough 'talking shops' without establishing more. If the Office does not ensure a viable return for farmers for their work and investment, then put simply, we will see more farmers go out of business.

Food & Drink exports totalled a record €13.5bn in 2021, (€37m/day) accounting for 9% of total exports in value terms. In 2020 the sector accounted for 38% of total indigenous exports and over 60% of indigenous manufactured exports. Between 2010 and 2021, total exports from the sector increased 71%. The strong growth in exports is however not having a proportionate impact at farm level, where at best aggregate farm incomes have remained static in the last decade. At an aggregate level, only one-third of Irish farms are considered economically viable – i.e. able to provide a financial return to labour employed at the minimum agricultural wage, plus a 5% return on non-capital assets. Almost three in every five Irish farms (57%) earned less than €20,000 in 2021.

**Table 2: Value of Irish Agri-Food Exports & Average Farm Incomes (2010 – 2021)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021 vs. 2010
<b>Value of Agri-Food exports (€bn)</b>	7.9	8.9	9.1	10	10.5	10.8	11.1	12.6	12.1	13.2	13	13.5	+71%
<b>Av. Farm Income (€'000)</b>	23.2	30.1	25.5	25.5	26.6	26.3	23.8	31.4	23.3	23.6	25.6	34.4	+48%
<b>3yr rolling average</b>													
		2010-12	2011-13	2012-14	2013-15	2014-16	2015-17	2016-18	2017-19	2018-20	2019-21	2021 vs. 2010	
<b>Value of Agri-Food exports (€bn)</b>		8.6	9.3	9.9	10.4	10.8	11.5	11.9	12.6	12.8	13.2	+53%	
<b>Av. Farm Income (€'000)</b>		26.3	27.0	25.9	26.1	25.6	27.2	26.2	26.1	24.2	27.9	+6%	

(Source: Bord Bia Export Performance & Prospects; Teagasc National Farm Survey, various years)

## 2022 and beyond

The above vulnerabilities of the primary producer become increasingly evident in current operating environs. Irish farmers, across all sectors, are facing into an increasingly uncertain future. Increasing regulation, Brexit-related trade disruption, climate action and reduced Common Agricultural Policy (CAP) direct payments receipts for some of our most productive farmers from 2023 leaves Irish farming in a perilous position. The most immediate/short-term challenge is however the input price crisis and it is in this context that IFA sets out its pre-Budget 2023 submission.

The Russian invasion of Ukraine has brought additional instability and uncertainty to already fragile and elevated markets post Covid-19 and the energy crisis, where input price surged to record levels. The threat to global food shortages is now increasingly likely.

Farmers across all sectors are being hit by an array of spiralling input costs, which are eroding already low margins for most. Agflation far exceeds general and indeed food price inflation, with negative terms of trade evident throughout 2022 to date. Aggregate agricultural output prices rose 28% in May vs. 2021 levels, but aggregate input prices rose by over 41.6%, with higher increases in certain fertilisers (+210%) and feed (+48%); fuel (+56%); and electricity (+41%).

Table 3: Annual % Change - Aggregate Agri Price Indices

	Output	Input	Terms of Trade
Jan '22	+16.9%	+26.4%	-7.5%
Feb '22	+19.2%	+28.3%	-7.1%
Mar '22	+21.8%	+34.8%	-9.7%
Apr '22	+24%	+39.6%	-11.2%
May '22	+28%	+41.6%	-9.6%

[Source: Central Statistics Office, 2022]

Figure 2: Trend in Aggregate Agri Inputs; General Inflation & Food Price Inflation (Source: Central Statistics Office, 2022)

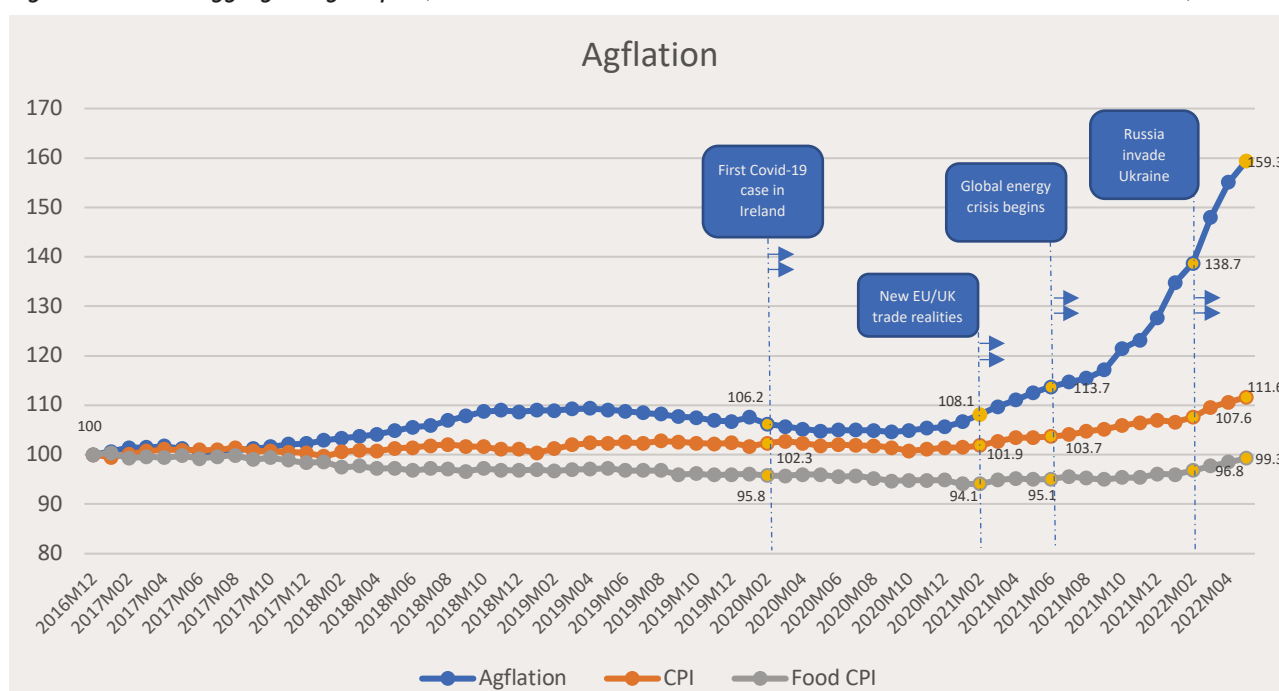


Table 4: Relative change in Aggregate Agri Inputs; General Inflation & Food Price Inflation (May 2022 vs. Key events)

	Aggregate Agri Inputs	Consumer Price Inflation	Food Price Inflation
May '22 vs. May '21	+46.8%	+8.1%	+4.3%
May '22 vs. First instance of Covid-19 in Ireland	+53.1%	+9.3%	+3.5%
May '22 vs. New EU/UK trade realities	+52.7%	+10.1%	+5.2%
May '22 vs. onset of global energy crisis	+45.6%	+7.9%	+4.2%
May '22 vs. Onset of Russian/Ukraine conflict	+20.6%	+4%	+2.5%

[Note: May '22 is the most recent available CSO data at the time of writing]



It's simply just not sustainable at current levels. Farmers cannot be expected to carry on regardless, to simply absorb the uncertainty and take the losses to ensure food security for Irish consumers. Many operations will simply go out of business. Unlike others, farmers haven't the luxury of being able to pass on the added cost of production to others, and so cannot be left to carry all the risk.

While Government interventions to date are to be acknowledged and welcomed – e.g. cut on excise duties; schemes for the pigs, tillage, horticulture and livestock sectors etc - given the scale of presenting challenges **additional targeted, timely and temporary measures against inflationary agricultural input price pressures will be required.**

IFA is seeking confirmation from the Government and the Minister for Agriculture that all temporary flexible arrangements re State Aid etc will be availed of; a suite of targeted, temporary and timely support measures will be provided; with **maximum permissible co-financing under the EU Emergency Crisis reserve; the Common Agricultural Policy** and allocations from the **Brexit Adjustment Reserve** utilised to combat the current input crisis.

Such commitments will also ensure that key income supports such as Areas of Natural Constraints (ANCs), Agri-Climate Rural Environment Scheme (ACRES), Targeted Agricultural Modernisation Scheme (TAMS), Suckler Carbon Efficiency Programme, the Sheep Improvement Scheme and Organic Farming Scheme are properly funded. This commitment is vital to deliver €300/suckler cow and €30/ewe in targeted payments and minimise also the significant cuts in Basic Payments that many will encounter in 2023 as the new CAP Programme begins.

Consideration amongst other measures should also be afforded to a temporary reduction in the VAT rate for select agri commodities; temporary income tax reliefs; temporary suspension of excise duty on agri-diesel & LPG for farm use to help reduce production costs at farm level. Detailed inventories on fertiliser/fuel/feed stocks must also be completed as a matter of urgency and priority given to farmers and contractors to preserve food & feed security.

Within the context of increased global uncertainty, it is imperative that the Government put in place and **maintain the appropriate agri-taxation measures** to support sustainable growth; agricultural activity; asset transfer and balanced rural development for at least the next 3 years. For example, renewal of Young Trained Farmer Stamp Duty Relief is needed to encourage timely land transfer and generational renewal, potentially boosted by restoration of Indexation relief for CGT which was abolished end 2022 given the current rising level of inflation.

**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. Additional gains may be derived by extending existing thresholds/income diversification potential involving grant-supported roof-top solar installations. While welcoming progress made, Government must advance the timeframe suggested to apply the 0% Value-Added Tax (VAT) rate on non-oral animal medicines and vaccines to support the European Commission's 'Farm to Fork' Strategy goal of reducing the threat of Antimicrobial Resistance (AMR).

In supporting the achievement of climate change obligations, the Government must fully recompense the sector for all diverted funds to non-agri purposes, and honour commitments made in their Programme for Government *Our Shared Future* to ring-fence €1.5bn of carbon tax receipts, over the next ten years for agri-environment schemes. It is also imperative that this funding is in addition to National contribution to co-financing under the next CAP programme.

Our Government and Minister for Agriculture has to act now to protect Irish farmers and rural Ireland. Within this submission, IFA set out our proposed support measures spanning the following sections:

- Supports to mitigate increased cost of production and general inflationary pressures;
- Measures to support Farm Enterprises;
- Measures to support farmers through Brexit;
- Measures to support Climate Action; and,
- Measures to support Farm Succession, Transfer & Partnerships.

# Section 1: Measures to mitigate increased cost of production and general inflationary pressures

## 1.1 Farm Schemes

The energy crisis through 2021 led to a significant escalation of input prices – in particular feed/fuel & fertiliser. The Russian invasion of Ukraine has compounded market challenges, with uncertainty and ongoing price volatility in key agricultural commodity markets the new norm. Existing prices, and the rising input price trend is simply unsustainable – evidenced by the fact that notwithstanding relatively strong output prices across most farm sectors, overall negative terms of trade have been evident throughout 2022. In simple terms, increased input prices are eroding already low margins for most. Changed working capital cycles to secure necessary inputs also compound on-farm financial challenges, particularly for those sectors greater exposed to more seasonal cash inflows and the traditionally low margin enterprises who often have lesser cash reserves in first instance.

IFA acknowledge and welcome the initial supports received - including increased TAMS investment ceilings for pig and poultry farms; the €12m Tillage Support Package; €56m Silage Support Package; €3m Horticulture/Vegetable Support Package and the €7m and €13m Support Packages for Pig producers - however given the scale of the challenge at hand, and its likely persistence in the short-medium term, allocation for more targeted interventions will be needed in Budget 2023.

**Table 5: IFA Funding Proposals for Targeted Support Measures in 2023**

Pilot Farm Schemes	Total 2022 Expenditure (€m)	Proposed 2023 Expenditure
Tillage Incentive Scheme	12	18
Protein Crops Support		
Multi-Species Sward Scheme, including support for red clover		
Fodder Support Scheme	56	75
Horticulture/Vegetable Exceptional Payment Schemes	3	4
Pig Exceptional Payment Schemes	20	100*

\* €50m would be re-paid back to the Exchequer over a 14yr term

### 1.1.1 Tillage Incentive Scheme

The Tillage Incentive Scheme (TIS) was introduced as a support measure for farmers to incentivise an increase in the area of tillage crops in 2022 (paid at €400 per hectare for each additional hectare of tillage grown) and ensure more locally produced animal feed for the livestock sector. While yet to be confirmed, anecdotal evidence suggests there was a relatively strong uptake across the country, with up to 200,000 extra tonnes of grain grown as a result of the scheme.

### 1.1.2 Protein crops supports

This measure was introduced to encourage farmers to grow protein crops such as peas, beans, lupins and combi-crops in 2022. Rates paid were €300/ha for beans/peas/lupins, and €150/ha for combi-crops.

### 1.1.3 Multi-Species Sward Scheme, including support for red clover

This scheme was introduced to encourage farmers to sow multi-sward species, greatly reduce nitrogen fertiliser, while maintaining forage yields. Working alongside agri-retailers and co-operatives, contributions of €50 per 12kg bag of multi-species sward seed purchased was provided. A total of 1,691 applications were approved for the Multi Species Sward Measure, covering 10,217ha, while 965 applications were approved for the Red Clover Silage Measure, covering 6,766ha. Combined the 16,983ha exceeds that combined target area of 16,000ha for the two measure.

## IFA proposes:

- To incentivise re-planting of additional area secured in 2022, and to further increase cereal production in 2023, a half/discounted rate of €200/ha should be paid on land that remained in tillage production for year 2, with €400/ha again being paid out on any new/converted land to tillage crops for the forthcoming season
- Existing rates involving growing of protein crops; multi-sward species (incl red clover) should be maintained for newly sown crops

### 1.1.4 Fodder Support Scheme

The €56m Fodder Support Scheme was introduced to incentivise farmers to grow more fodder (silage and/or hay) for the coming winter to ensure Ireland does not have any animal welfare issue over the coming winter and next spring. Payments were limited to a maximum of €100 per hectare, for up to 10 hectares. Only farmers with grassland were eligible to apply, and no support was provided to dairy farmers.



**IFA proposes:**

- The €1,000 payment ceiling must be re-visited in recognition of those farms with higher stocking levels, with payments made in full for all hectares claimed.
- For farmers who do not have land suitable to grow and save fodder, IFA proposes that these farmers who carry cattle or sheep across the winter be given financial support to purchase feed (including in part any associated haulage costs)
- Given dairy producers incur similar inflated input costs as other farm producers, IFA propose that they too should be considered for inclusion in any future scheme
- Scope of the scheme should be extended to include growth of Winter catch/fodder crops

**1.1.5 Horticulture Exceptional Payment Scheme (HEPS)**

A total fund of €2.8 million was available for HEPS, designed to ensure the short-term security of the subsectors most affected by escalation of key inputs following the Russian invasion of Ukraine, spanning commercial growers in the glasshouse high-wire crops, field vegetable, mushroom and apple sectors. Indicative allocations include: €1m for High-wire crops; €600k for Mushrooms; €1m for Field vegetable; and €200k for Apples. Payments to growers of high-wire crops (i.e. tomatoes; cucumber; peppers), field vegetables (onions, turnips, broccoli, cauliflower, kale, lettuce) and apples were made on a per-hectare basis for crops being grown in 2022; while for the mushroom sector, payments were based on the kg weight of produce sold over the period from January 1, 2022 to April 30, 2022.

**IFA proposes:**

- Existing rates should be maintained for newly sown high-wire crops; field vegetables; mushrooms and apples
- Scheme should be extended to include soft fruit growers (especially those with heated gas) given these producers are also exposed to inflationary input costs as all sectors and those with heated glass even more so

**1.1.6 Pig Stability Fund**

Two separate supports packages worth €20m were provided for the pig sector. Notwithstanding, the Irish pig sector continues to be engulfed in possibly the worst crisis in its history. Producers, despite some welcome pig price developments more recently, continue to incur exceptional losses. This has persisted through H2 2021, but escalated significantly due to the unprecedented and rapid escalation of feed costs since the Russian invasion of Ukraine. Teagasc

estimate (July) that the average 600-sow pig farm will lose c.€365,000 through 2022. This will undoubtedly force an increased number of farmers to follow those that have already been forced into a decision to exit production.

**IFA proposes:**

- In order to address both the current crisis and the long-term volatility challenge within the sector the Irish Farmers' Association (IFA), Meat Industry Ireland (MII), and the Irish Grain and Feed Association (IGFA) are jointly proposing the immediate establishment of an initial €100m Pig Stability Fund in order to save the Irish pig sector from irreparable harm. More information can be found within the Pig Policies section of the IFA website, available at [www.ifa.ie/ifa-policy-documents/](http://www.ifa.ie/ifa-policy-documents/)

**Fund outline**

The following is an outline of the key aspects of this proposal:

- Establish, without delay, a state-administered fund to provide an immediate cash injection to pig farmers to avoid the demise of the sector at primary and processing level
- This fund will be jointly funded by a state contribution along with a long-term fund sourced by way of a new statutory levy
- Introduce a statutory levy of 90 cent/pig (equivalent of c. 1 cent/kg) on all pigs slaughtered in the Republic of Ireland or exported to Northern Ireland. Based on the 2021 output, this would generate a revenue stream of c. €3.6m/annum (based on output of c. 4m pigs/annum)
- Based on a 14-year payback period, this constitutes a direct farmer contribution of c. €50m
- Commitment from the State to initially fund the farmer contribution of €50m along with an additional upfront funding from the State of €50m. The former will be repaid by the revenue from the newly-established statutory levy.
- Levy to be compulsory on all farmers producing finished pigs within the sector.

**Proposed fund payment model**

- The pig stability fund will only be deployed during periods where the industry is experiencing significant losses. These losses will be calculated based upon independent Teagasc analysis, with payment made via monthly direct transfer to farmers based on number of pigs sold in previous month. Payment based on estimated Teagasc losses per pig for reference month

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## Benefits of proposed fund structure

There are a number of benefits to the proposed fund and its associated structure. These benefits include the following:

- The proposed fund facilitates the creation of a volatility management mechanism for the sector to help make it more economically sustainable in the medium-term
- The design of the fund ensures that if and when the pig sector returns to profitability payments from the fund cease
- A significant level of direct farmer funding is proposed to part-finance the fund

### 1.1.7 National Inventories

Farmers need greater clarity/certainty as to available stocks to enable/permit a more informed course of action for the months ahead.

#### IFA proposes:

- Detailed inventories on fertiliser / fuel / feed stocks must be completed as a matter of urgency.

## 1.2 Taxation measures to mitigate the increased cost of production

### 1.2.1 Extension of excise duty relief on agri-diesel & LPG for farm use

In early March, the Government announced a temporary reduction in the excise duties charged on petrol, diesel and marked gas oil (incl. agri-diesel), to reduce the cost of fuels for families and businesses. Due to expire 31st August 2022, the relief reduced excise duty by 20c/litre on petrol; 15c/litre on diesel; and 2c/litre on marked gas oil. Given the existing market volatility at elevated levels, and a return to more normalised levels unlikely in the short-term, IFA strongly propose a further extension of existing reliefs into 2023.

With reference to *excise tax on marked gas oil (agri-diesel)*, there have been suggestions regarding possibly classifying the low excise levels charged on green diesel (mainly used on farms and in home heating) as a fossil fuel subsidy, possibly paving the way, presumably, to its later removal down the road to greater achieve our climate ambitions. A differential of up to 54c/litre currently exists between road diesel and green diesel however it is important to highlight that the two kinds of diesel have almost the same carbon emissions and indeed pay the same carbon tax (approx. 9c/litre). The differential in price is mainly because of contrasting tax treatments. The excise duty applied to road diesel is considerably higher than that applied to green diesel (43c/l vs. 5c/l respectively) – the differential, a user charge/contribution to the very substantial costs of

providing the road network – which neither tractors nor houses are heavy users of. The farm sector uses over 1bn litres of green diesel each year, so any hike in taxes would have serious cost implications for farmers. Undoubtedly the growing trend toward renewable/greener powered automobiles will continue, however, given there is no commercially available alternative to diesel-powered agricultural machinery in the short-term the current rates on fuel and diesel should remain unchanged.

#### IFA proposes:

- Given agri-diesel is up to two and a half times normal levels, and a return to normalised levels is unlikely in the short-term, an extension of existing excise duty relief on agri-diesel & LPG for farm use is required to reduce production costs at farm level

### 1.2.2 Retention of section 664A of the Taxes Consolidation Act 1997 plus complete suspension of carbon tax for 2022 and 2023 for farmers and agri-contractors

Farmers are currently entitled to avail of relief from increases in the carbon tax on farm diesel under section 664A of the Taxes Consolidation Act 1997. Given the absence, in the short-term, of any viable commercial alternative to agri-diesel (Marked Gas Oil) to support food production operations on-farm, and the known trajectory of carbon taxes (i.e. 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 relief must be retained and even extended to include agricultural contractors. Increased numbers of farmers will likely utilise the services of agricultural contractors to comply with new Low Emission Slurry Spreading regulations and the use of precision machinery for the application chemical fertilisers as a key eco-scheme measure under the reformed Common Agricultural Policy. When consideration is afforded to the scale of market fuel prices experienced since the global energy crisis throughout the second half of 2021 and beyond, coupled with the lack of viable alternatives, the complete suspension of carbon tax for 2022 and 2023 for farmers and agri-contractors would prove beneficial in not only supporting margins at farm level; but also limit the degree of food price inflation consumers would inevitably be exposed to.

#### IFA proposes:

- Retain section 664A of the Taxes Consolidation Act 1997 and extend to include agricultural contractors to mitigate the increased cost of production
- Suspension of carbon tax on agri-diesel and LPG for 2022 and 2023 for farmers and agri-contractors. Alternatively, any forecast increases in Carbon tax as per Finance Act 2020 should be deferred to periods outside peak agricultural activity
- The Government must honour commitments made in their Programme for Government Our Shared Future to ring-fence €1.5bn of carbon tax receipts, over the next ten years for agri-environment schemes.



### 1.2.3 Carbon Tax Relief for Glasshouse growers of food crops using CO<sub>2</sub> enrichment

Glasshouse heating is provided by either Natural Gas or LPG as there is no suitable alternative fuel source. Given escalating input prices, already tight margins are being wiped out. Immediate Government intervention may however mitigate to some degree, specifically by introducing a Carbon Tax Relief for Glasshouse growers of food crops using CO<sub>2</sub> enrichment.

Based on a carbon tax of €33.50 per ton, glasshouse growers currently pay between €17k and €21k per hectare in carbon tax. If increased to €80 per ton, this will rise to €41,000 per hectare. This level of carbon tax will make the sector uncompetitive with imports and economically unsustainable. Its imposition is also somewhat inequitable when you consider the rationale for the initial introduction of the Carbon tax, and the fact that Irish producers of quality tomatoes, peppers and cucumbers currently use 95% of the CO<sub>2</sub> generated from glasshouse heating to enhance crop production. It is the perfect example of a 'bicircular economy' and we must reward growers and recognise their contributions in this regard. Growers using this cropping system are not contributing to greenhouse gas emissions.

A precedent in Irish tax law exists for this type of relief. Section 98 of the Finance Act 1999 provides for the partial repayment of mineral oil tax paid on heavy oil and LPG used in horticulture production. Precedent also exists for special relief on carbon tax for growers of food crops in Canada and the Netherlands.

**IFA proposes:**

- Glasshouse growers of food crops using CO<sub>2</sub> enrichment, should be granted a Carbon Tax relief/rebate.

### 1.2.4 Debt warehousing

Debt warehousing was a support measure introduced in response to Covid-19 economic hardship, wherein some unpaid tax debt arising from the Covid-19 pandemic could be deferred or *warehoused*.

Debts that were warehoused were subject to 0% interest for the warehoused period, after which a phased payment arrangement was agreed, and interest of 3% applied.

**IFA proposes:**

- Where actual / estimated business losses are incurred as a consequence of inflationary input price pressures, consideration should be afforded to introducing a debt warehousing mechanism for impacted farmers, similar to that employed in response to the Covid-19 pandemic

### 1.2.5 Covid-19 Income tax relief for self-employed extended to reduce tax liabilities

Section 10 of the Financial Provisions (Covid-19) (No. 2) Act 2020 provided for a number of temporary income tax

measures to assist self-employed individuals who were adversely impacted by the Covid-19 restrictions. In summary, these measures included:

- self-employed individuals may claim to have their 2020 losses and certain unused capital allowances carried back and deducted from their profits for the year of assessment 2019, thus reducing the amount of income tax payable on those profits. A €25,000 limit on the total amount that may be carried back will apply.
- subject to meeting certain conditions, self-employed individuals may make an interim claim for relief in respect of an estimated amount of relief that will be due to them in respect of a claim to have their 2020 losses and certain unused capital allowances carried back to the year of assessment 2019.
- an option is given to individual farmers to step out of income averaging for the tax year 2020, notwithstanding that the farmer may also have stepped out of income averaging in one of the four preceding tax years.

**IFA proposes:**

- The above temporary income tax measures are retained and available to assist farmers adversely impacted by inflationary input price pressures;
- A permanent retention of 2 'step-out' years per 5-year cycle is provided for, where a farmer is allowed to 'step-out' of income averaging more than once in a five-year period (once they are not carrying an unpaid deferred tax amount from a previous 'step-out'). 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.

### 1.2.6 Retention & Flexibility on stock relief measures

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 general stock relief, available until 31<sup>st</sup> December 2024, provides a deduction of 25% of the increase in value in trading stocks against profits in the accounting year. For Registered Farm Partnerships relief is claimable at 50% until 31<sup>st</sup> December 2022. Similarly, for Young Qualifying farmers, stock relief is claimable at 100% until end Dec 2022.

Existing stock relief schemes (incl. enhanced stock relief for Young Trained Farmers and for Farm Partnerships) should be maintained to protect these low margin enterprises and support employment in rural areas. The general stock relief of 25% relief should be temporarily increased to 50% until 31<sup>st</sup> December 2023. The increase in cattle prices of 25% for

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example could cause non cash profit on beef and suckler farms. This could lead to tax issues for farmers in a year of high costs and poor cashflow and should be avoided.

### IFA proposes:

- All existing stock relief measures (incl. enhanced stock relief for Young Trained Farmers and for Farm Partnerships) should be maintained and available for at least a further 3 years
- The general stock relief of 25% relief should be temporarily increased to 50% until 31st December 2023 to prevent tax issues for farmers in a year of high costs and poor cashflow.

### 1.2.7 Temporary reduction in the VAT rate for select agri related products/services currently at standard rate or 13.5% rate

The Government introduced (& subsequently extended) a 9% VAT rate in response to the challenges posed by Covid-19 to support the tourism and hospitality sectors. Given the unprecedented input price crisis currently endured, consideration should be extended to temporarily reducing the standard/13.5% VAT rate for select agri products/services.

### 1.2.8 0% VAT rate on non-oral animal medicines and vaccines to be implemented as early as possible

While acknowledging the significant input and endeavour to date in progressing this issue, Government must advance the timeframe suggested to apply the 0% Value-Added Tax (VAT) rate on non-oral animal medicines and vaccines - worth over €10m annually to farmers in direct savings.

### 1.2.9 Review VAT rebate for farmers to better reflect increased tax intake from escalating input prices

Industry analysts suggest that the National Exchequer has been boosted by a higher tax take than was forecast. The VAT rebate afforded to farmers should be adjusted in line to same.

## 1.3 Social Protection Measures

### 1.3.1 Farm Assist

Farm assist is a vitally important payment that supports low-income farm families, allowing them to continue in production during difficult times.

### IFA proposes:

- The income disregard for farm income and income from off-farm self-employment be increased from 50% to 70%.
- Similar to recipients of the Jobseeker's Benefit and Jobseeker's Allowance, recipients of Farm Assist should receive credited social insurance contributions for pension purposes.
- The capital assessment disregard should increase from €20,000 to €36,000 to better align the scheme with other social welfare schemes.
- In the means test 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 option of a three-year income test assessment be considered.

### 1.3.2 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. 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.

### IFA proposes:

- A new, statutory, Home Support Scheme needs to be introduced as a matter of urgency and adequately funded to support older people to live at home.
- In the interim older people need to be supported to live at home through increased funding for the Home Support Service 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.
- Social insurance credits should be provided to farmers on Farm Assist prior to 2007, when they were ineligible to make PRSI contributions under the scheme.
- The new Workplace Pension Scheme must be extended to include farmers and other self-employed people, with every €3 saved by a farmer, a further €4 will be credited to their pension savings account by the Government.

### 1.3.3 Rate of Class S PRSI

In most cases, farmers between the ages of 16 and 66 years of age with earnings of €5,000 or more per annum are liable for Class S PRSI (introduced in 1988), at a rate of 4% of taxable income (subject to no upper limit) or €500, whichever is the greater.

It has been reported that existing PRSI rates for the self-employed (including farmers) are low by EU comparison, with suggestions made to progressively increase the rate (& voluntary minimum contribution) to greater match that payable by employers. Given the typically low levels of profitability on-farm, as demonstrated elsewhere, any potential increase would only add increased financial pressure on farm families, hinder entrepreneurial activity/innovation, and should be resisted.

Recognition must also be afforded to the divergence in terms of SME composition (scale & type) in Ireland relative to our EU counterparts, but also to the fact that relative to employers, Class S contributions only cover a limited number of payments – i.e. they fail to include any short-term payments including illness and disability payments.

#### IFA proposes:

- The rate of Class S PRSI is retained at existing levels

## 1.4 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, and indeed traditional service provision, in Ireland’s banking sector is a particular cause of concern – particularly among our most elderly / vulnerable members.

Banking is a hassle now for many. In the past, farmers could rely on localised in-branch knowledge and expertise. Now, you’d hardly know anyone in the bank. Bank officials don’t know farmers or understand their business either. If you are not on hold on the phone for hours, your driving miles to your nearest branch now. It’s a far cry from what it was in the past.

The Central Bank, and indeed Government, need to step in here to protect economic activity and the social fabric of rural towns, villages and its citizens. Offloading Bank services to An Post just isn’t acceptable. Having An Post and indeed the Credit Union’s there to pick up the pieces as Banks dilute existing services certainly helps, but many of their offices just aren’t set up for traditional banking interactions. Significant investment and added resources will be needed to more fully support the farming community, both in terms of capital

investment in their infrastructure/network to facilitate more secure/private financial transitions, and improved financial offering to the SME market (& competitive nature thereof).

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, now fully utilised, proved very popular with farmers. A similar proposition design is required to support increased on-farm efficiencies and better meet the needs of farmers.

#### IFA proposes:

- The Government, through the SBCI, introduce a state backed guarantee (80%) low-cost interest (max 2.95%) 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 inflationary input prices.
  - 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.



## Section 2: Agri Taxation

### 2.1 Taxation Measures to Support 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 Young Trained Farmer Stamp Duty Relief is renewed 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, 2022. The relief is an important measure because it supports new and expanding farmers in growing their business.

#### IFA proposes:

- The Enhanced Stock Relief for Young Trained Farmers is renewed
- 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, 2022. 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-2022 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 relief.<sup>4</sup> 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. 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 Relief 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 intergenerational 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.

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- 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 CGT - Restoration of Indexation Relief

Indexation Relief, which takes inflation into account in any gain that arises on the sale/transfer of assets, is still available, but only to the extent that it applies to the period of the life of the asset up to and including 2002. Within the context of current inflationary price pressures, and to support increased land mobility/transfer, consideration to be afforded to extending Indexation Relief beyond end 2002.

#### IFA proposes:

- Indexation relief should be restored and extended to include periods of ownership post 2002.

### 2.1.11 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, and afforded multi-annual timelines rather than on an ad hoc/annual basis.

### 2.1.12 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.

### 2.1.13 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 2023. 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.

### 2.1.14 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

### 2.1.15 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.

#### 2.1.16 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 Taxation Measures to Mitigate Income Volatility

Income volatility, resulting from product price and/or input cost fluctuations and weather events, is a constant feature of

farm businesses, particularly more recently post the global energy crisis; Covid-19 impacted supply chains; and Russian invasion of Ukraine. In addition to those outlined in Section 1 additional targeted measures is required to allow farmers to directly manage risks in their own enterprises.

### 2.2.1 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 and mitigate in part the negative consequences arising out of the Covid-19 pandemic and Russia/Ukraine conflict 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 drawn 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.

## 2.3 Removing Discrimination in the Tax System

### 2.3.1 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

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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.
- The excise relief should offer a 50% reduction in excise for small-scale apple cider producers.

### 2.3.2 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.

### 2.3.3 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.

### 2.3.4 Residential Zoned Land Tax (RZLT)

IFA is fully aware of the current housing challenges and indeed the rationale underpinning the proposed RZLT announced in Budget 2022, however we strongly oppose the inclusion within its remit of land, which currently forms an integral part of existing farm operations, where the zoned residential status of the land was provided without any explicit consent, action or intent of the part of the land owner.

The Minister introduced the measure to encourage the building of housing, but it must be recognised that farmers are private land owners not builders. Farmers hold land to farm, not hoard it as an investment. Thousands of farmers have land

being encroached upon by towns and villages around Ireland that may be both zoned residential and serviced, and in many cases the farmer is completely unaware of the zoned status of their farm land nor indeed their potential liability to RZLT. Please see Appendix 1 for further information.

### IFA proposes:

- The proposed Residential Zoned Land Tax will not apply to currently used agricultural land in a manner similar to the exemption provided under the Vacant Site Levy exemption.
- Intent of purpose involving potentially impacted lands (purchased or otherwise) should ultimately determine liability.
- 'A right to be unzoned' must be secured within legislation or automatic 'zoning reset' occur where actively used farm lands have been zoned for residential development by Local Authorities without any action/explicit consent on the part of the land owner, especially near smaller urban centres with less housing pressures.
- An independent, simple, cost-effective centralised mechanism of changing the zoned status of lands without justification must be provided for farmers wishing to change the zoned status of their land back to 'agricultural use', with a legislative clause included within such applications that such lands cannot be subsequently acquired by Local Authorities by way of Compulsory Purchase Order.
- Revenue need to hold off any RZLT charges while a farmer is in the process of appealing their inclusion for the RZLT
- Revenue must reimburse any extra tax previously paid (including re-installation of all available tax credits) on the transfer of land where relevant (i.e. where zoned vs dezoned land valuations were utilised in assessments)

## 2.4 Health and Safety

### 2.4.1 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.

## Section 3: Measures to Support Farm Enterprises

### 3.1 Farm Schemes

Table 6: IFA Funding Proposals for Existing Farm Schemes in 2023

Farm Schemes	Expenditure (€m)			
	Total in 2022	Proposed allocation under CSP	IFA Proposal for 2023 (at current take-up levels)	IFA Proposal for 2023 (at anticipated take-up)
Beef Data Genomics Programme	45	52	173.5	267
Beef Sector Efficiency Pilot (BEEP-S)	40			
Suckler Carbon Efficiency Programme	0			
Dairy Beef Calf Scheme	5	5	10	10
Cattle Rearing & Finishing Scheme	0	0	100	150
Sheep Welfare / Improvement Scheme	19.5	20	53	81
Areas of Natural Constraints	250	250	300	300
Targeted Agricultural Modernisation Scheme (TAMS) / On-Farm Investment Scheme	60	-	80	80
Agri Environment incl. GLAS, ACRES and Locally led	230	300	425	460
Straw Incorporation Scheme	12	10	15	15
Organics Farm Scheme	21	30	30	30
Horticulture	9	-	12	12
NPWS Farm Plan Scheme	2.5	-	15	15
Walks Scheme	4.2	-	8	8
LEADER	48	-	77.8	77.8

#### 3.1.1 Suckler Cow & Beef

The national suckler cow herd of over 900,000 head, across 65,000 farms, is of critical importance to the economic, social and environmental sustainability of every parish in rural Ireland, and the foundation to c.€2.5bn beef and live animal exports annually. Every €1 of direct support invested into the beef sector returns over €4 back into the economy.

The small scale, extensive nature of Irish suckler and beef family farm operations, fulfilling amongst the highest environmental, animal health and welfare standards globally, are the foundation for the image of Irish beef production at home and abroad.

Evidenced by dwindling suckler cow numbers (128,837 fewer cows 2021 vs. 2017), reduced on-farm investment (aggregate gross investment on suckler beef farms declined 27% 2020 vs. 2016, while overall investment on all farms rose 34%); and an increasing age demographic, the sector is in danger of increased consolidation and losing critical mass, as increased headwinds exert their influence.

- Suckler and beef farmers are the most exposed to the impact of Brexit. While the full implications of Brexit are yet to be realised, Irish beef farmers have already been adversely impacted. Spanning Sept 2018 – March 2019, estimated lost trade for the beef sector was c.€101m, with further revenue loss evident end 2019 (c.€8.3m) and early 2021 (c.€12.5m).

- The current inputs crisis is particularly severe on low income suckler and beef farms. Teagasc estimate average farms incomes Suckler Beef farms will decline 25% in 2022; and c.16% on Cattle Finishing farms. When you consider average 2021 incomes were only €10,927 and €16,416 respectively, suckler and beef farms do not have the financial capacity to absorb this level of production cost increase.

- The economic sustainability of suckler farms is based on direct supports. Suckler farms are dependent on direct payments for 130% of their Family Farm Income. The challenges on suckler and beef farmers will be further compounded by the erosion of direct supports through the Common Agriculture Policy to our more productive farmers in the sector. Targeted supports to suckler farmers currently committed for 2023 show a reduction from Government of €28m compared to current support levels with no commitment provided for the Nationally financed suckler scheme that ran alongside the CAP Pillar 2 BDGP scheme.

- Achieving our Climate ambitions for the sector will require on farm investment and changes to some management practices. The sector will play its part but do not have the capacity, confidence or access to finance to fund these changes.



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The current targeted schemes for suckler farmers, Beef Data and Genomics Programme and Beef Sector Efficiency Pilot have proven to be essential in terms of economic support, improving efficiencies and contributing to environmental objectives over the previous 7 years. However, as is evident from the decline in suckler cow numbers the levels of direct funding are not adequate to sustain our suckler herd and must be built on.

As we transition into a new CAP it is vital the new schemes build on the positives from these and deliver an appropriate level of funding to support this sector over the next 5 years.

## IFA proposes:

### Suckler Carbon Efficiency Programme

- Government support committed to suckler farmers in 2023 is €28m less than current levels. This is unacceptable. The new Suckler Carbon Efficiency Programme must be built on to provide farmers a minimum of €300/cow payment for all suckler cows.

### Beef Sector Efficiency Pilot (BEEP-S)

- The BEEP-S scheme has proven very positive among farmers with over 25,000 applicants annually throughout the duration the scheme. It is vital a similar nationally financed scheme is put in place for 2023.

### Cattle rearing and finishing scheme

- The Dairy Beef Welfare Scheme has recognised the importance of supporting farmers who rear calves from the dairy herd however it must be increased (+€20/calf) and a separate scheme introduced to include farmers who rear beef animals from the suckler herd including store and finishing farmers, with a minimum payment of €100/animal.

## 3.1.2 Sheep

Sheep farming is the second largest farm sector in terms of farm numbers (36,163 farms) supporting economic growth in rural communities throughout Ireland - often on the most challenging land type and in the most rural communities in the country.

As the fourth largest exporter of sheep meat in the world, the value of exports increased for the second consecutive year by 15% to a total of €420m in 2021 highlighting the importance and value of prime lamb production in Ireland.

Sheep farming aligns very well with our national effort towards a more sustainable Agri-Food sector in terms of environmental, animal welfare and socio-economic objectives. However, it is a very vulnerable sector in terms of income which is impacting severely on generational renewal on sheep farms. The latest Teagasc National Farm survey shows an income of just €20,451 on sheep farms in 2021.

The sector is heavily dependent on meaningful targeted supports for its viability and sustainability with sheep farms relying on direct supports for over 100% of FFI. In this

regard the Sheep Welfare Scheme was well received. As the Sheep Welfare Scheme concludes in 2022 it is important the positives of this scheme are rolled over into the new 2023 Sheep Improvement Scheme with certain specific alterations to improve its attractiveness for new entrants and existing participants transitioning into the new scheme.

It is vital appropriate funding is allocated to deliver €30 ewe payment on all of the 2.7m ewes. A targeted ewe payment of €30/ewe in the Sheep Improvement Scheme is vital to encourage generation renewal and to support a positive margin for a low-income sector, particularly in the context of continued uncertainty of operation costs at farm level.

Recognition of the sheep sector for support in the early-stage support for producer organisations is positive. The scheme must be easily accessible to all existing groups within the sector. These groups played a crucial role in maintaining a large cohort of farmers in the sector in volatile market conditions.

Sheep farmers continue to suffer the impacts of the collapsed wool market in recent years. Shearing is a key management practice on sheep farms for the health and welfare of the flock that has now become a significant production cost across farms. Shearing costs farmers over €20m annually in direct and indirect costs with returns from wool now virtually non-existent.

Sheep farmers continue to be exposed to unacceptable costs, losses and trauma from dog attacks that occur on their farms. Government must deliver on the commitment to strengthen legislation in this area to ensure dog owners take full responsibility for their dogs and comply with their ownership obligations. Additional enforcement resources are vital to ensure dog owners comply with microchipping licensing and control of their dogs' obligations.

The sheep sector is currently experiencing extraordinary inflation on all key inputs including fertilizer, fuel and feed. These show no signs of abating and will likely remain for 2023. This low-income vulnerable sector does not have the capacity to absorb the type and level of cost increases being experienced. Direct support measures including subsidies to offset the dependency on inputs based on their levels of production must be provided immediately to sheep farmers.

## IFA proposes:

### Sheep Improvement Scheme

- The sheep improvement scheme must be funded appropriately through a combination of CAP and National funding to deliver €30/ewe to our 2.69m breeding ewes.

### Producer Organisations

- The Government must ensure all existing lamb producer groups can easily avail of the Early-Stage Producer Organisation funding and funding levels are provided to support all applicants from the sheep sector.

<b>Wool</b>
<ul style="list-style-type: none"> <li>• Direct supports to offset the costs associated with shearing.</li> <li>• Shearing should be included as a measure in the Sheep Improvement Scheme to support farmers carrying out this vital health and welfare measure and to ensure wool is presented in optimum condition for future added value use.</li> <li>• Government should create incentives for wool to be the insulation of choice in home and commercial insulation and make it mandatory for Irish wool insulation to be used in all social housing projects and public buildings.</li> <li>• Sheep shearing equipment included to the new on-farm capital investment scheme.</li> </ul>
<b>Dog control</b>
<ul style="list-style-type: none"> <li>• Government must provide appropriate resources and funding to allow an effective operational Dog Warden service in every county with staffing levels that ensure enforcement of the obligations of dog owners.</li> </ul>

### 3.1.3 Agri-Environment Scheme

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 new Rural Development Programme is the proposed new Agri-Climate Rural Environment Scheme (ACRES) which is proposed to be the successor of GLAS, REAP and some EIP's. At the end of 2022, 47,000 farmers will complete their GLAS contracts, 5,000 will complete the REAP Pilot Project.

The Agri-Climate Rural Environment Scheme (ACRES) proposes to have up to 50,000 farmers participating and it's planned to open the scheme over at least two tranches. Tranche 1 is scheduled to open in quarter 4 2022, with scheme participation commencing in January 2023. Tranche 2 is to open for applications in quarter 4 2023, with scheme participation commencing in January 2024.

If there is a lag between GLAS and ACRES due to the tranche-based approach, some farmers will be left out of an agri-environment scheme for a year. This delay poses a real threat to farm incomes. Not extending participation to all eligible and interested parties into the scheme in 2023 is simply unacceptable. Agri-environment schemes make up a substantial portion of farm payments each year and are a critical source of income for family farms.

It is essential that all applicants under all tranches receive a payment in 2023 and the scheme cannot be limited to 50,000 participants.

It is vital that all farmers who will complete their environment scheme contracts in 2022 are granted access to an environment scheme in 2023.

#### IFA proposes:

- €460m funding allocation is required for environmental and locally led schemes
- Ensure that there are no farmers who wish to participate are left without an Agri Environment Scheme in 2023. This can be done by either rolling over 12,000 GLAS 3 participants for 2023 which would reduce the number of new applications in 2023 or alternatively by paying an upfront ACRES payment in 2023 for Tranche 2 participants similar to the way REPS payments were in the past.
- Payments of up to €10,500 be available to all farmers in both the ACRES General and Cooperative options
- ACRES must not be limited to 50,000 farmers

### 3.1.4 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 2023.

### 3.1.5 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 2022 to expand the scheme 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. Farmers need permanent payments for permanent designations.

#### IFA proposes:

- Additional 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.

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### 3.1.6 Producer Organisations (POs)

In line with the commitment in the Programme for Government to enhance supports for the establishment of Producer Organisations, Ireland's recently submitted CAP strategic plan contains a proposal for enhanced supports for early-stage Producer Organisations in the beef, sheep, horticulture (including potatoes), cereals and amenity plant sectors. The proposal provides for the retention of existing advisory support and the addition of an administrative support grant payable annually in the first three years following recognition. The Department of Agriculture, Food and the Marine (DAFM) currently provide a small level of support to cover some of the legal and advisory costs of facilitators associated with the establishment of 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
- Ireland's CAP strategic plan proposal for enhanced supports for early-stage Producer Organisations in the beef, sheep, horticulture (including potatoes), cereals and amenity plant sectors should continue to be supported.

### 3.1.7 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 2022 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 €3.8m to bring it to a total of €8m.

### 3.1.8 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. The LEADER Programme is a key rural development tool for supporting the economic, social and environmental development of rural communities, by providing the resources necessary for rural communities to support their own development and to create capacity at local level. For 30 years the LEADER Programme, delivered by Local Development Companies, has maximised the drawdown and impact of EU funds, to create jobs in rural areas, and develop rural communities in keeping with the LEADER

approach, which has been evaluated as very successful by EU institutions. The aim of the LEADER Programme 2023-2027 as identified in the draft CAP Strategic Plan is to continue to support a community-led local development (CLLD) approach to rural development by animating and funding initiatives that emerge at a local level to address local challenges and needs.

#### IFA proposes:

- A sustainable budget of €389 million must be provided for the LEADER Programme 2023-2027 to drive 'bottom-up, community-led' investment to create and sustain employment in rural Ireland, provide funding in the rural environment and support climate change mitigation initiatives in rural communities as well as the identified high-level ambitions of LEADER 2023-2027 outlined in the draft CAP strategic plan.
- IFA proposes that funding, in addition to what's proposed in the Draft CAP Strategic Plan, be provided by the Department of Rural and Community Development (DRCD).
- The LEADER Programme be provided with €77.8m funding for 2023, with no gap in this funding before the start-up of LEADER under the next CAP Programme.

### 3.1.9 Targeted Agricultural Modernisation Scheme (TAMS) / On-Farm Investment Scheme

TAMS has been, and continues to be a success as it has encouraged on-farm investments in excess of €700m with farmers investing over €400m of their own capital. It has contributed to upgrading and modernisation of Irish farms as well as purchase of equipment. There is an ongoing investment requirement across all sectors, to improve efficiency and meet higher environmental and animal welfare standards. Expenditure on the current RDP TAMS is behind target, with approximately 70% of the revised allocation spent to date. There needs to be increased flexibility along with the inclusion of additional qualifying investments to ensure all funding is fully utilised. Due to TAMS reference costs being totally out of kilter with the unprecedented rise in inflation and in particular the rising costs of materials, the number of farmers applying for TAMS support has declined significantly over the last year. To keep in line with current levels of inflation, costings must be updated before the opening of each tranche.

The horse sector is an integral farming activity throughout every county in rural Ireland and makes a contribution of €2 billion to our economy, but it remains one of the only agricultural sectors that has not been included in a meaningful way in the support measures that are available through the CAP funded on-farm investment grant schemes. The horse farming sector must be included under the Targeted Agricultural Modernisation Scheme (TAMS) from January 2023.

The funding of solar panels is permitted under the existing TAMS, an important incentive to boost installations and increase our renewable energy sources. Given benefits are mostly accrued by other sectors, IFA is calling for the



establishment of a new 'Roof-top Solar Scheme'(RTSS) and a new 'Anaerobic Digestion Support Scheme' (ADSS) financed by the Department of Environment, Climate & Communications. This must be separate to TAMS, to support increased investment in renewable energy sources. No specific allocation for solar panels or anaerobic digestion are currently provided for within the €8bn National Home Energy Upgrade Scheme recently announced. The vast majority of the emissions reduction arising from Solar panels and Anaerobic Digestion will accrue to other sectors not agriculture. Therefore these initiatives should be funded by the Departments whose sector are getting emissions benefit.

### IFA proposes:

- Provide €80m in funding for TAMS in 2023 and to keep in line with current levels of inflation costing must be updated before the opening of each tranche.
- 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, fertility collars, weighbridges and rubber mats.
- The minimum investment limit of €2,000 is lowered to accommodate small investments.
- Standalone TAMS grant for manure storage (60% government funded)
- Farmers who are actively involved in the breeding and rearing of horses must be included under the TAMS from January 2023.
- The establishment of a new 'Roof-top Solar Scheme' and a new 'Anaerobic Digestion Support Scheme', financed by the Department of Environment, Climate & Communications and independent of TAMS, to support increased investment in renewable energy sources.

### 3.1.10 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 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.

### 3.1.11 Animal Health

Irish farmers continue to successfully raise the health status of the national herd by making significant financial and labour investments in disease prevention and eradication, implementing disease control programmes and applying welfare practices that are among the highest in the world.

The entire agri-food sector is built on the work of farmers in this critical area, with Irish consumers and the broader national economy also benefiting greatly from the efforts and sacrifices made by Irish farmers in this ever-evolving area.

Despite the progress achieved to-date, farmers are continually asked to do more. Ambitious reduction targets have been set for antimicrobial usage and more targeted usage of anti-parasitic products. Achieving these targets and objectives will require upfront direct and indirect investments from farmers. Associated with achieving these goals and furthering the health status of farm animals will be effective implementation and support for disease eradication and control programmes for TB, BVD, Johnes and IBR. Across the three active disease eradication and control programmes – i.e. TB, BVD and Johnes – farmers are left to provide an unfair and disproportionate level of direct and indirect financial support to these programmes. This must be rebalanced and all disease eradication and control programmes must recognise all beneficiaries and ensure appropriate levels of funding is provided by those who benefit from the work of farmers.

Tools to help farmers in reducing dependence of veterinary medicines, ensuring more targeted usage of medicines and good independent analytics must be provided. This includes reducing the VAT rate on vaccines and delivering on the commitment to invest in the Regional Veterinary Laboratory network to make the Regional Laboratories more accessible to farmers and enhance the service offering. Removal of fallen stock from farms is a critical issue to protect the health status of the animals remaining on the farm. The current system provided by the Department of Agriculture is failing farmers, there is no guaranteed collection service for farmers throughout the country and the rates allowed to be charged by the Department of Agriculture are in no way competitive or reflective of the actual disposal costs of the types of animals involved.

The Government must support the commitments made by farmers by providing direct and indirect resources to help farmers continue to invest in the health status of the national herd while also protecting farmers from unnecessary bureaucracy and controls. Farmers are committed to proactively addressing concerns relating to Antimicrobial Resistance (AMR) at farm level. Reducing the cost of vaccines and other preventative treatments will increase usage as part of herd health programmes which in turn will reduce the need for antibiotic usage on farms. Strong meaningful direct financial supports to disease eradication and control programmes will be critical to their success.

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**IFA propose:**

- **Support for Farmers Implementing Best Practice Disease Control and Medicine Usage on Farms** - Overarching Animal Health Programme for all farmers that directly supports farmers in implementing best practice disease prevention and targeted medicines usage on farms that recognises the on-farm costs and additional labour requirements associated with applying these practices on farm and critically implementing them for 365 days a year. The TASAH Parasite Control Programme is a first step but fails to directly support farmers for participation. This must be built on and provide farmers with direct financial incentives and supports to deliver the programme on their farms.
- **0% VAT Rate on non-oral medicines** - Government must advance the timeframe suggested to apply the 0% Value-Added Tax (VAT) rate on non-oral animal medicines and vaccines worth over €10m annually to farmers in direct savings.
- **Regional Veterinary Laboratories** - The €33.5m allocated in 2019 for a 10-year programme to enhance the Regional Veterinary Laboratory Network and associated services to farmers must be utilised without delay. The Government must provide farmers with a Regional Veterinary Laboratory Network that they can have confidence in. Better access to the laboratory network for all farmers and enhancements to the analytics and services offered by the Regional Veterinary Laboratory network must be provided.
- **TB Programme** - A fair and equitable funding model with upfront investment to deliver on longer term goals must be provided, recognising farmers labour contribution of over €20m annually in addition to the €28m in annual testing and almost €8m in disease levies. The increased funding is critical to provide for the enhanced measures proposed in the TB Forum and to provide farmers impacted by TB Controls who through no fault of their own have their incomes decimated through animal removals, restrictions and additional more frequent testing. Providing farmers with a fair level of income support for animals removed based on IFA's proposals to the Forum is costed at just over an additional €7m.
  - The TB Forum agreed that the doubling of resources is necessary for the Wildlife Control Programme to function effectively and efficiently in delivering reductions to the levels of TB in both the cattle and badger population. The funding for the additional resources must be realised and the resources must be put in place to deliver 'boots on the ground' to implement the programme in areas where there are disease problems that are associated wildlife.
  - The announcement to re-establish the National Deer Management Group is welcome, however this group must be resourced and funded to implement measures on the ground that will realise a reduction in deer numbers where they are encroaching on farm land and also the provision of a targeted density reduction programme for deer where they are associated with TB outbreaks in cattle. The mandatory erection of deer-proof fencing on all new forestry plantations should also be considered.

- **BVD** - Farmers have invested directly over €100m in the BVD programme since it commenced voluntarily in 2012, before becoming compulsory in 2013. As we approach attainment of recognised BVD Free Status under the EU Animal Health Law this is a critical time for AHI and its credibility with farmers. The programme, while finally on track to deliver on its objective of eradication, has had a very mixed response from farmers. The future credibility of AHI and ultimately its ability to deliver across the numerous other existing programme areas is dependent on a satisfactory conclusion from a farmer's perspective to the BVD programme. Achieving the milestone on 1st January 2023 must bring immediate change for farmers in their experience of the programme. It is prudent to continue with the most effective case detection method in the programme for 2023 at a minimum, therefore the fundamental change farmers must see is the removal of the direct costs of BVD sampling and testing. The higher-level national surveillance, proof of freedom, in the Bovine Viral Diarrhoea (BVD) programme that will commence in 2023 must provide farmers with the most effective case detection approach and be fully funded by DAFM. This approach is consistent with the publicly stated Department of Agriculture policy of cost and responsibility sharing in disease control. Farmers have made their direct and indirect contribution to this programme since 2012, delivered on the objectives of the programme and it is now time for Government to step in in acknowledgement of the achievements of breeding farmers and the beneficiaries who to-date have not incurred any BVD programme costs. This is estimated to cost €10m in the first year reducing annually as the screening becomes more targeted based on the profiling of herds by the Technical Working Group, identifying only higher risk herds potentially to screen.
- **Johnes** - The Department of Agriculture funding and resource commitment to the programme must be extended and built on to help drive participation.
- **IBR** - Resources must be provided for the National Infectious Bovine Rhinotracheitis (IBR) programme based on an equitable funding model that reflect the beneficiaries and wider benefits for the national economy associated with the programme.
- **Fallen Animal Collection Service** - The Department of Agriculture is compelled under EU law to provide an effective and efficient fallen animal collection system for farmers as this is the only mechanism for animal disposal available to farmers. The current system is failing to deliver for farmers and the two key issues that must be addressed are guaranteed collection of all animals and competitive collection fees. The Fallen Animal Collection Service must be reviewed, restructured and funded to an appropriate level that ensures all farmers have access to a guaranteed efficient and competitively priced Fallen Animal Collection Service.

### 3.1.12 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.

#### 3.1.12.1 Seafood Taskforce – Strategic Initiatives for Irish Aquaculture

The Seafood Taskforce report recommended a **€60m fund for Irish Aquaculture** to be made available for initiatives in the Irish Aquaculture sector required to overcome the impact of Brexit while achieving the objectives outlined the EU Strategic guidelines on sustainable aquaculture development. This represents an opportunity to invest in developing the Irish Aquaculture industry and accordingly offers mitigation against the negative impacts that have occurred in other sectors of the seafood industry due to Brexit.

#### IFA proposes:

- Proposed initiatives should be primarily funded using the Brexit Adjustment Reserve fund to allow the Irish aquaculture industry to become more resilient, competitive and delivers the opportunity to grow sustainably. The recommended initiatives of the Seafood Taskforce report should be implemented and details of grant schemes be made available as soon as possible.

#### 3.1.12.2 Input Costs

Irish Aquaculture producers have been experiencing severe increases in the cost of inputs over the past number of months, this has reached an unsustainable level since the Russian invasion of Ukraine with the shortage of raw materials, increased costs of fuel and general transport, increased costs of fish feed, and increased costs of electricity.

#### IFA proposes:

- IFA Aquaculture is calling on the Government to consider funding mechanisms made available by the European Commission to assist Irish Aquaculture operators affected by these severe cost increases. A 'Temporary Crisis Scheme' to allow for financial compensation to operators in the aquaculture sector for their income forgone and additional costs incurred must be made available to ALL aquaculture operators affected by the Ukraine crisis and eligibility criteria must reflect that - this must be done without delay.

#### 3.1.12.3 Blue Carbon Potential

IFA welcomes the recognition in 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. Further, the EU Commission announced its Work Programme for 2022, a proposal for certification of carbon removals with a view to proposing a European regulatory framework and in the context of the European Climate Law (Regulation (EU) 2021/1119) which requires the European Union to achieve a balance between emissions and removals of greenhouse gases, blue carbon potential should be considered and recognised.

#### IFA proposes:

- Carbon Value / Sequestration - Appropriate recognition and remuneration must be given for the Irish aquaculture sector in its carbon sequestration services and the added value aquaculture produce provides and the contribution aquaculture can make in meeting Climate Action targets in this regard. DAFM must integrate a payment mechanism in the EMFAF Operational Programme via the Open Method of Coordination.

#### 3.1.12.4 Implementation of Aquaculture Licensing Review Recommendations

Prioritising immediate action to implement a functioning aquaculture licensing system must 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:

- Sufficient funding, adequate and appropriate resources must be allocated to ensure full implementation of all the recommendations of the Independent Aquaculture Licensing Review.



## 3.2 Office for Fairness and Transparency in the Agri Food Supply Chain

IFA welcomes the establishment of the new state body, the *Office for Fairness and Transparency* in the Agri-Food supply chain, which will come under the responsibility of the Minister for Agriculture, Food and the Marine. This Office has the potential to serve a vital role in addressing and rectifying the current inequitable distribution of power in today's clearly broken food supply chain. Current legislation however needs to be further strengthened, and stricter sanctions applied, to ensure greater equity for Irish farmers and security within the Irish food supply chain. The current proposal for a €1000 maximum fixed price penalty is not acceptable. The sanctions need to be set much higher, with limits at €4 million or 4% of annual turnover, whichever is higher. This would coincide with similar penalty criteria as set out by the GDPR legislation. The legislation put forward in the Agriculture and Food Supply Chain Bill must also include a ban on below cost procurement of food. It is necessary to secure to ensure the long-term sustainability of farmers to produce food, and it is also in line with the sustainability programmes which both the retailers and processors have set out. If powers afforded to the Office of Fairness and Transparency in the Agri Food Supply Chain does not ensure a viable price for farmers for their work and investment, we will simply see more and more farmers go out of business, similar to that experienced in the horticulture, potatoes and the pig and poultry sectors more recently.

### IFA proposes:

- Current legislation needs to be further strengthened, and stricter sanctions applied, to ensure greater equity for Irish farmers and security within the Irish food supply chain.

## 3.3 Measures to improve Farm Safety

The workplace fatality and accident rate in Irish agriculture, regrettably, is consistently one of the highest of all economic sectors. 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 incidents. In addition, farmers should be supported to make necessary investments to improve on-farm safety, both for personal use but also that of wider family members and paid employment.

### IFA proposes:

- Non-registered farmers should have the option to reclaim VAT on the cost of purchasing and maintaining farm safety equipment (including Personal Protective Equipment) to help maintain best safety standards, via the VAT 58 form.
- Grant aid and/or accelerated capital allowances is provided for drafting gates
- Reduced VAT rate on safety equipment such as replacement of manhole covers, power shaft covers etc.
- 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.

## 3.4 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. Adequate flexibility/goodwill payments should be provided to impacted farmers for inconvenience and disadvantage caused.

### IFA proposes:

- Farmers impacted by national road developments under the new National Development Plan receive a flexibility payment.
- Inclusion of an Underpass of suitable size for modern farming or a flyover to sustain existing operations and link impacted farms fragmented by new road development.
- A simplified and fast-tracked planning process is put in place for the construction of road underpasses.

## Section 4: Measures to Support Farmers through Brexit

Ireland has been allocated over €1 billion of the available €5.34 billion Brexit Adjustment Reserve, and has until end Dec 2023 to fully utilise.

While the full impact of Brexit has not yet been realised, Irish farmers have been forced to endure the adverse consequences of that unexpected Brexit vote in June 2016, operating often within the realm of negative market sentiment; currency fluctuation; protracted EU/UK negotiations; uncertainty and indeed a series of Hard Brexit cliff-edges, which unfortunately even today, remains a possible reality.

Cost of production (particularly inputs sourced/diverted through the UK) has gone up post Brexit; while added uncertainty and challenge has impacted on-farm investment and succession, particularly among the traditionally low margin enterprises. For example, the cost/inability to secure seed potatoes has been a particular challenge.

The most immediate and direct consequence of the Brexit referendum was however a weakened sterling – wiping approximately €570m off the value of Irish Food & Drink exports in 2016, and an estimated €1.55bn since. Mushroom exporters, trading in sterling suffered an 18% cut to margins within weeks. Many ceased growing for a period, while 40% exited completely. The industry impact of a weakened sterling alone relative to pre-Brexit levels for the Mushroom sector is estimated at c.€47m.

Agri output prices took a hit too, with atypical seasonal market demand trends and stockpiling of product, aligned with cliff-edge EU/UK negotiations, continued sterling devaluation/fluctuations and the threat of a Hard Brexit, compounding matters, depressing output prices and consequently revenue returns received by Irish farmers. For example, spanning Sept 2018 – March 2019, estimated lost trade for the beef sector was c.€101m, with further revenue loss evident end 2019 (c.€8.3m) and early 2021 (c.€12.5m).

Increased Agri-Food exports have been directed outside Great Britain (GB) since the Brexit vote, with a significant drop-off in the level & value of GB trade evident. Pigmeat exports to GB for example dropped almost 60% in value and volume terms in 2021 vs. 2020, with the GB market contributing only c.10% of total pigmeat exports (value & volume). This compares with almost one-quarter (26%) of Irish pigmeat exports destined to GB market in 2016, and contributing over one-third in value terms. While a prudent approach – similar unit margins are not always evident – an estimated differential of c.€26.8m exists in potential revenue purely by directing increased quantities to China rather than to GB markets.

It is undeniable that Brexit has had a significant adverse impact on the Irish Agriculture Sector, spanning all sectors, with additional, even heightened risk of further disadvantage

potentially still to come in the form of market displacement with the implementation of agreed UK trade deals with Australia & New Zealand; regulatory divergence and even the implementation of crippling tariffs should a Hard Brexit arise.

### 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. Farmers, as price takers, cannot be left carrying the can and absorbing the full cost of Brexit.
- A series of targeted, wide-ranging, and innovative financial & support measures are required to promote increased resilience and the sustainability of Irish family farm operations into the future. Such supports, as outlined in the IFA Submission to Government re the allocation of BAR funds for the Agri sector, may include:
  - Direct, targeted financial aid, in the form of De Minimis aid, to compensate for lost income incurred as a result of the weakening of sterling; atypical seasonal demand and/or other direct Brexit related reasons;
  - Subventions on added cost of production;
  - Measures, including direct-aid to support improved performance, efficiency and/or sustainability of the agricultural holding and therein support improved income resilience;
  - Measures to reduce reliance on inputs by directly supporting farmers to implement measures that improve soil health and animal health leading to higher production efficiencies;
  - Scheme to fully genotype existing bovine herd, focused on animal health and welfare, production efficiency; methane efficiency, and market suitability of all offspring
  - Funding to genotype all future calves born into bovine herds
  - Measures to promote On-Farm Diversification;
  - Measures to support Intergenerational Renewal / Collaboration type supports/models;
  - Measures to attract, sustain & diversify skills/expertise in the Irish Agri sector;
- Development of specific volatility and risk management measures.

## Section 5: Measures to Support Climate Action

Irish farmers are fully engaged and committed to climate action. The Climate Action and Low Carbon Development (Amendment) Act 2021, which was passed in July 2021, sets a legally binding target of a 51% reduction in emissions by 2030, relative to a baseline of 2018. Under the Act, the Government is required to set sectoral emissions ceilings for each sector of the economy. This will mean the Minister of Agriculture, Food and the Marine will be legally obliged to introduce measures to ensure emissions from Agriculture remain under the sectoral emissions ceiling.

In light of the National Strategic Plan and changes made under the revised Common Agricultural Policy (where 25% of direct payment receipts will be cut to fund eco-schemes) increased adoption of targeted agri-environmental measures on-farm is likely in the short-term in order to sustain direct payment receipts – a fundamental income source to sustain farm operations in the majority of cases. This should be acknowledged and accounted for in any proposed amendment to existing tax reliefs / welfare supports to influence personal behaviour in the name of greater achieving national climate ambitions.

The Irish agri-food sector has benefited, for some twenty years, from having a coherent, stakeholder-led vision and strategy to underpin and guide the sector's continued development. The current Government approved strategy for the agri-food sector, "Food Vision 2030 – A World Leader in Sustainable Food Systems" envisages a transformational pathway to a position of world leadership in Sustainable Food Systems by 2030. It seeks to add value sustainably into the future, with a strategic focus on environmental protection. There are numerous industry-led initiatives (e.g. Teagasc Sign Post Programme; Grass10; Farm Zero C, etc) currently in operation to educate and positively influence behaviour toward improved on-farm efficiencies and the transition of farm operations to net zero emissions by 2050.

There are however a number of measures that, if introduced, could further support climate action.

### 5.1 Taxation measures to support climate action

#### 5.1.1 Emission Efficient Equipment / Capital Investment Incentive

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 – e.g. 100% capital allowances for investment in equipment that is independently certified and listed by a qualifying authority.

#### 5.1.2 VAT exemption for all Emission Efficient Equipment

All farm equipment (incl solar) that contributes to a reduction in emission intensity, should also be exempt from VAT.

#### 5.1.3 Forestry & CAT / Stamp Duty Relief

The promotion of farm forestry is key for Ireland to achieve its environmental obligations. When farmers enter into forestry, it is a permanent commitment of the land to forestry.

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.

Increased on-farm planting of trees will occur in the years ahead as part of new Eco-scheme measures introduced under the new CAP. It is essential that this will not in any way disadvantage farmers from availing of existing CAT / Stamp Duty reliefs.

#### 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.

#### 5.1.4 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. 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. Existing means of calculation particularly impacts smaller holdings, and can/will impact on subsequent inheritance of the farm unless addressed.

### 5.1.5 Tax Credit for Research Trials / Demonstration Farms

To better advance or promote increased utilisation of on-farm sustainability measures, farm operations that are utilised for Research Trials / Demonstration purposes by Companies / Agricultural Institutions should be afforded an additional annual income tax credit

### 5.1.6 Incentives / supports involving wind farm

Consideration should be afforded as to whether the above CGT/CAT reliefs for solar panels should also extend to also include wind farms, given their increasing role in meeting our renewable energy targets. Currently there are issues of agricultural relief on farm transfer or farm succession, where lands deemed Industrial and highly valued by Revenue Commissioners bring the value of the asset outside CAT thresholds. In many instances, the resultant CAT payable on receipt of the asset may be equal to or in excess of the net income generated from the project over its lifetime, thus creating a dis-incentive to implementation.

### 5.1.7 Investment in renewable energy

Existing regulations are somewhat restrictive in terms of maximising the generation of renewable energy sources. Farmers receiving grant aid for Solar Panel installation should be allowed to sell any surplus electricity generated on their farm on to the national grid at attractive rates. For the farmer it builds business resilience and provides a diversified income source, while the State also increases its renewable energy sources and reduces its reliance on fossil fuels.

#### IFA proposes:

- Remove planning impediments for microgeneration project.
- The establishment of capital grants of approximately 50% for farmers to invest in microgeneration. This programme should apply to all usage on farms including the farm residence.

- Farmers who receive grant-aid to support installation of renewable energy sources should be allowed to sell any surplus electricity generated after domestic/business consumption, in full, onto the national grid and receive an income for same (in arrears if required).
- Farmers who generate surplus electricity be allowed export it onto the national grid via smart meter and then be allowed the same amount as an offset back to them as required with no financial transaction necessary.
- The installation of roof-top solar/PV panels on farm buildings should not constitute a change in building use, and/or expose the farmer to any existing or future imposed duties/rates/levies etc.

## 5.2 Measures/Schemes to support climate action

### 5.2.1 Organic Farm Schemes

The Organic Farm Scheme assists farmers in the conversion process to organic farming. Last year the funding to the scheme increased to €21m, supporting the 1,734 contracts currently in the organic farming scheme, and representing a €5m increase on previous allocations. Recently introduced changes to the scheme – i.e. reducing the required stocking rate and by increasing the area paid at the higher rate from 60 ha to 70 ha – are to be acknowledged. In 2021, an additional 12,000 ha were farmed organically and it is expected this will increase by a further 17,000 ha, taking into consideration those who applied to join the scheme this year. These 29,000 new hectares mean a 35% increase in land farmed organically in the past two years. However, the area under organic production remains 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 (i.e. 25% agricultural land under organic production by 2030). 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 €30m to incentivise and further develop the area of land under organic production.
- An additional payment should be made on the first 3 ha of organic horticulture.

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## 5.2.2 Farm Forestry

The forest sector has a central role to play in Ireland meeting the Climate Action Plan 2021 sectoral targets under Land Use and Land Use Change and Forestry (LULUCF). The Plan does not explicitly state an afforestation target but states that there needs to be increased planting beyond the previous target of 8,000 ha per annum.

The Climate Change Advisory Council (CCAC) Carbon Budget Technical Report identified forestry as the primary, scalable CO<sub>2</sub> removal measure in the near term for Ireland. It stated that if LULUCF is to achieve a 51% reduction in net emissions, the current annual afforestation rate of approximately 2,000ha per annum would need to an “accelerated ramp up beginning immediately, reaching 20,000ha per annum in 2028 and continuing thereafter up to 2050”.

Farmers have a critical role to play in achieving the afforestation targets, however the current policy and supports are not working for farmers. Current afforestation figure where farmers only planted 360ha or 18% of the 2021 programme show that they are no longer willing to commit land to forestry.

Successive policy decisions including: the cutting of forest premiums, restrictions on planting productive land, unwarranted retrospective recoupment of premium payments, increased environmental requirement that have reduced commerciality, inadequate compensation for farmers with ash dieback, increased management costs and the ongoing delays getting a forest licence, have undermined confidence.

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:

- The restoration of the farmer premium differential as committed to in the Programme for Government Our Shared Future.
- A restructuring and upward revision of the current Afforestation and Woodland Creation grants and premiums revised upwards to better reflect the opportunity cost and the commitment of farmers.
- The extension of the premium payment duration under the Agroforestry scheme from 5-years to 15-years. Despite the potential of the scheme just 42ha of new agroforestry systems were established between 2016 and 2021.
- 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 a compensation package for farmers who are unable to harvest due to appeals of felling licences and licences being overturned.
- The introduction of an Ash Dieback Reconstitution scheme that appropriately compensates forest owners affected by the disease. This would include the full reconstitution grant to support farmers to harvest infected woodlands, the reinstatement of 15-year premiums on re-established woodlands and an option not to replant under certain circumstances.
- The introduction of a Roadside Ash Tree Removal grant to support farmers to remove diseased ash trees safely.
- The introduction of a Payment for Ecosystem Services (PES) in recognition of the range of environmental services provided by forests, including carbon sequestration. 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 ha 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 Group Certification scheme to overcome the obstacle to private forest owner certification that mirrors similar successful schemes operating in other European countries. Currently in the private sector only 4% of the private forest estate is certified and is a potential future barrier to mobilisation and access to markets.
- The allocation of funding to establish a Forestry Development Agency to drive the industry, such as exists in other natural resource sectors. It would be charged with optimising the performance of the Irish forest industry by providing technical expertise, business support, funding, training and promoting responsible environmental practice.

## 5.2.3 Measures to improve on-farm efficiencies

Irish agriculture is one of the most sustainable in the world. Despite media commentary suggesting otherwise, Irish farmers produce food of the highest quality with a low environmental footprint. Irish farmers understand that they have a unique role to play in meeting the climate change

challenge, however, this must be done in a fair and balanced way. There are a number of measures that, if introduced, could further advance on-farm efficiencies and the transition of farm operations to net zero emissions by 2050.

### IFA proposes:

- Funding to expand and develop the IFA Smart Farming Programme, as recommended in the Joint Oireachtas Climate Action Committee Report Climate Change: A Cross-Party Consensus for Action March 2019.
- Funding 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 introduction of a liquid fertiliser / protected urea incentive scheme, reducing the price differential below it and existing products to encourage increased adoption
- A support scheme should be put in place to encourage slurry additives uptake.
- Accelerated capital allowances on LESS equipment for farmers in derogation.
- Accelerated capital allowances for construction of slurry storage
- A soil structure support programme to include soil aeration equipment to maximise the agronomic and environmental benefits of good soil structures.
- Soil Health programmes (incl. incentives/supports for use of Lime / MSS etc)
- Reseeding and oversowing supports
- Improved Animal Health and Performance measures such as supporting more targeted use of antibiotics and antiparasitics
- Scheme to fully genotype existing bovine herd, focused on animal health and welfare, production efficiency; methane efficiency, and market suitability of all off-spring
- Funding to genotype all future calves born into bovine herds
- Better faecal egg sampling schemes to reduce anthelmintic use and farm cost on medicines
- Supports for animal performance measuring and recording leading to more efficient production systems

### 5.2.4 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 CO<sub>2</sub> production, and contributing to the Government renewable energy targets for 2030, the following supports are required.

As outlined in section 3.1.9, IFA is calling for the establishment of a new ‘Roof-top Solar Scheme’(RTSS) and a new ‘Anaerobic Digestion Support Scheme’ (ADSS) financed by the Department of Environment, Climate & Communications. This must be separate to TAMS, to support increased investment in renewable energy sources. No specific allocation for solar panels or anaerobic digestion are currently provided for within the €8bn National Home Energy Upgrade Scheme recently announced. The vast majority of the emissions reduction arising from Solar panels and Anaerobic Digestion will accrue to other sectors not agriculture. Therefore these initiatives should be funded by the Departments whose sector are getting emissions benefit.

### 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.
- The establishment of a new ‘Roof-top Solar Scheme’ and a new ‘Anaerobic Digestion Support Scheme’, financed by the Department of Environment, Climate & Communications and independent of TAMS, to support increased investment in renewable energy sources.



# Appendix 1: Irish Farmers' Association submission on residential Zoned Land Tax

## Introduction

The Irish Farmers' Association is Ireland's largest farming organisation with approximately 72,000 members in 940 branches nationwide. The IFA has a commodity committee to represent the main agricultural sectors, including: dairy, livestock, sheep, pigs, poultry, organics production and aquaculture but also has a number of committees that has overarching responsibility on issues which affect the entire agricultural sector. The IFA Farm Business committee closely follow and lobby on taxation and financial policy issues with both the Government Departments and Financial institutions.

## Exemption of Agricultural Land from proposed Residential Zoned Land Tax (RZLT)

IFA is fully aware of the current housing challenges and indeed the rationale underpinning the proposed RZLT announced in Budget 2022, however we strongly oppose the inclusion within its remit of land, which currently forms an integral part of existing farm operations, where the zoned residential status of the land was provided without any explicit consent, action or intent of the part of the land owner.

The Minister introduced the measure to encourage the building of housing, but it must be recognised that farmers are private land owners not builders. Farmers hold land to farm, not hoard it as an investment – demonstrated by strong intergenerational transfer and limited volumes traded annually. Thousands of farmers have land being encroached upon by towns and villages around Ireland that may be both zoned residential and serviced, and in many cases the farmer is completely unaware of the zoned status of their farm land nor indeed their potential liability to RZLT.

Intent of PURPOSE, and CONSENT must hold greater position and consideration regarding any liability to the RZLT. Local Authorities must hold a direct application for; or explicit/expressed consent of the farmer to zone the land for residential development before exposing them to this serious tax liability. The practice of council officials zoning/rezoning land in a bulky county development plan draft and publishing it for public comment and submission (approach as proposed re RZLT) is not the same as active or direct engagement with the land owner. This practice of 'hiding a zoning change proposal in plain sight' is disingenuous and takes advantage of people not directly involved in, or aware of, land development typically – i.e small family farmers - and must stop.

As per the Vacant Site Levy, if the land was acquired (through purchase / intergenerational transfer) for agricultural use prior to being zoned residential and continues to be operated for farming purposes it shall be exempt from the levy.

This exemption can be restricted to lands planted or farmed to minimise zoned area lost if required.

Farmers who request zoning of land for residential development; or who knowingly purchase residentially zoned land; or who wish to retain residential zoning on farmland should be considered for RZLT just as any builder/land developer would be. That is however PROVIDED they have had a genuine opportunity to change the zoned status of the land in question if so desired, or if they knowingly purchased the residentially zoned land AFTER this proposed legislation comes into force.

'A right to be unzoned' must be secured within legislation or automatic 'zoning reset' occur where actively used farm lands have been zoned for residential development by Local Authorities without any action/explicit consent on the part of the land owner, especially near smaller urban centres with less housing pressures. The 'right to request unzoning' as per Section 80 653L of the Finance Act 2021 is not sufficient. IFA propose that an independent, simple, cost-effective centralised mechanism of changing the zoned status of lands without justification must be provided for farmers wishing to change the zoned status of their land back to 'agricultural use', with a legislative clause included within such applications that such lands cannot be subsequently acquired by Local Authorities by way of Compulsory Purchase Order (CPO). This needs to be explicitly provided for in the legislation. There are significant concerns among many farmers that if they wish to continue farming, and get their zoned lands de-zoned, Local Authorities will subsequently acquire lands by CPO at discounted rates – i.e. agricultural rates rather than zoned land rates – to their economic disadvantage. The inequitable reality however, as currently stands, is that many farmers will be forced to sell owned land as economically they will not be able to afford the annual RZLT. Revenue need to hold off any RZLT charges while a farmer is in the process of appealing their inclusion for the RZLT (not provided for currently) and must also reimburse any extra tax previously paid (including re-installation of all available tax credits) on the transfer of land where relevant (i.e. where zoned vs de-zoned land valuations were utilised in assessments).

A legal definition of 'serviced' lands should also be provided within legislation (stating the presence of all essential public infrastructure/facilities is required to be deemed 'serviced'), with liability extending only to lands that are currently 'serviced' or will become 'serviced' within the timeframe of the existing County Development Plan. Full recourse of all RZLT paid by impacted parties should promptly occur where such lands are not 'serviced' within such a timeframe. Imposing a liability on 'serviceable' land indefinitely, even if included within Development Plans, may significantly disadvantage impacted farmers where such land never actually materialises and so should be avoided.

A housing need at local level must be clearly evident and defined within legislation. It must form an integral part of assessments undertaken on the inclusion or otherwise of individual sites within the scope of the RZLT. Where there is no housing need, RZLT should be exempt otherwise it represents nothing more than a penal tax on land owners and contradicts entirely the stated purpose of the RZLT as per Minister for Housing, Local Government and Heritage Darragh O'Brien T.D. within the Residential Zoned Land Tax - Guidelines for Planning Authorities<sup>5</sup> namely: *'The tax measure is aimed at incentivising residential development rather than generating revenue for the State'*.

The significant divergence between the annual 3% market value tax liability and the potential income yield or earning potential from the farm land itself is also unproportionate and excessive, contrary to the general taxation principles and will result in many forced land sales and a distortion of the agricultural land market. If being enforced for the 'greater good' to combat the housing crisis, why then are significant tracts of zoned residential land under State ownership (e.g. parks & amenities) exempt? Why isn't State owned lands; lands in strategic reserve and 'vacant/idle sites' utilised in first instance to meet the housing need rather than adopt a blanket based approach (again without any justification in the absence of housing need) and target privately owned land used for food production? Is this not somewhat discriminatory in nature on farmers?

To conclude, the general perception among various Government officials from engagements held is that the 'right to request unzoning' as per Section 80 653L of the Finance Act 2021 represents a satisfactory mitigant for impacted farmers who want to have the zoned status of their land amended, thus removing any potential liability or unintended consequences. In theory this may occur, but it's not guaranteed and the reality appears very different.

Feedback from numerous IFA members is that the process of changing the zoned status of land is anything but simple or straightforward. It can be very frustrating and costly to execute (some incurring costs running into thousands of euro's), and often times requires considerable lobbying and political support to get the zoned status amended at local level. This is particularly true where County Development Plans are not currently under review. Lack of governance was also a significant point of contention – where individual parties executed all parts of the process without any apparent oversight throughout. One farmer referenced his own case where one official (a senior planning manager) identified the land liable for the Levy in first instance; approved the assessment physically carried out by a subordinate; heard the appeal from the farmer; quashed the farmers appeal against the same planning managers original decision; and then valued the land to determine the tax to be levied. Members also emphasised, in relation to the Vacant Site Levy, the huge disparity in application/treatment of individual land

owners (i.e. farmers; builders etc) both across and within local authorities, without any obvious, transparent or fair reason. They suggested that the highly subjective and political area of planning and zoning is incompatible with an equitable, fair and clearly transparent taxation measure. Referencing two rural locations, they questioned how the Vacant Site Levy register was heavily weighted with elderly farmers while being extremely light on building developers, builders, financial institutions, NAMA, semi-state companies and public bodies. They added that recent plans prepared by Local Authorities have rezoned some land to Strategic Reserve while providing subtle avenues for this land to be zoned on demand (thus avoiding the RZLT). The wording allows for extensions of existing development to be proposed on Strategic Reserved lands while posing no risk of incurring the RZLT. They noted examples of cases where portions of sites were given planning for immediate development while the balance of the site was put into strategic reserve. Others saw lands with expired planning permissions (intended target of 2015 Act) to strategic reserves. Every site sheltered in strategic reserve adds to the pressure on farmers with zoned residential land they don't wish to vacate for development. This discriminatory action needs to be avoided at all costs re the RZLT.

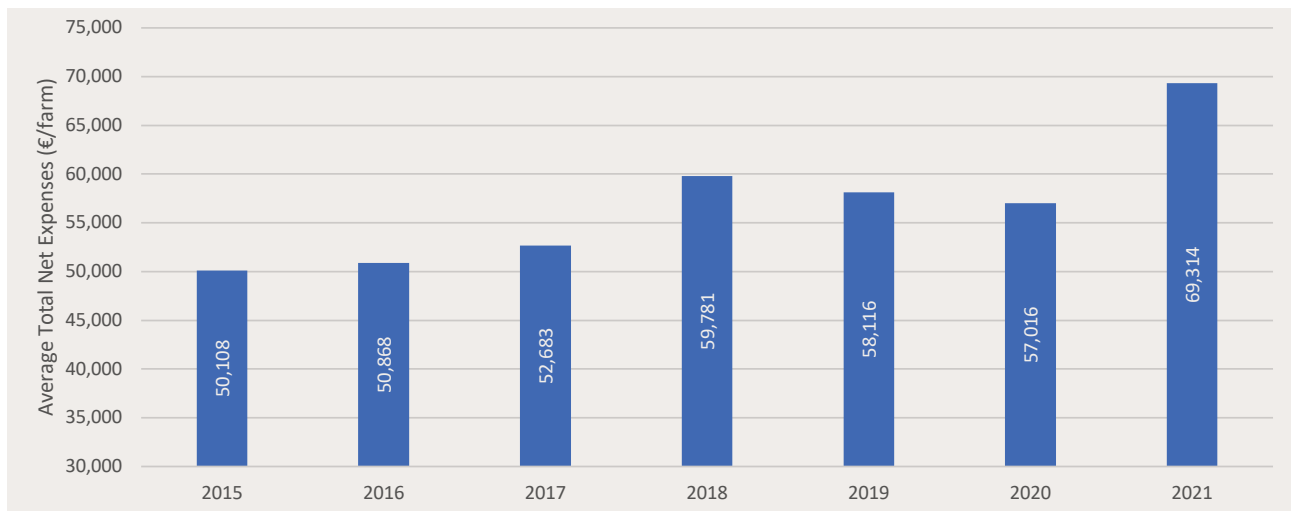
## IFA Proposal:

- The proposed Residential Zoned Land Tax will not apply to currently used agricultural land in a manner similar to the exemption provided under the Vacant Site Levy exemption.
- Intent of purpose involving potentially impacted lands (purchased or otherwise) should ultimately determine liability.
- 'A right to be unzoned' must be secured within legislation or automatic 'zoning reset' occur where actively used farm lands have been zoned for residential development by Local Authorities without any action/ explicit consent on the part of the land owner, especially near smaller urban centres with less housing pressures.
- An independent, simple, cost-effective centralised mechanism of changing the zoned status of lands without justification must be provided for farmers wishing to change the zoned status of their land back to 'agricultural use', with a legislative clause included within such applications that such lands cannot be subsequently acquired by Local Authorities by way of Compulsory Purchase Order.
- Revenue need to hold off any RZLT charges while a farmer is in the process of appealing their inclusion for the RZLT
- Revenue must reimburse any extra tax previously paid (including re-installation of all available tax credits) on the transfer of land where relevant (i.e. where zoned vs dezoned land valuations were utilised in assessments)

5 <https://www.gov.ie/en/publication/fbc41-residential-zoned-land-tax-guidelines-for-planning-authorities/>

## Appendix 2: Cost of production and select input price trend

Figure: Average Total Net Expenses (€/farm) 2015 - 2021



	Average Added Cost (€/farm) '21 vs. '20
Dairy	31,105
Cattle Rearing	1,787
Cattle Other	1,494
Sheep	6,315
Tillage	29,890
All Farms	12,298

(Source: Teagasc 2021 National Farm Survey, various years)

Relative importance of select cost centres as a % of Total Net Expenses

	Dairy	Cattle Rearing	Cattle Other	Sheep	Tillage	All Farms
Feed	25%	11%	18%	19%	6%	20%
Fertiliser	8%	8%	9%	8%	14%	9%

(Source: Teagasc 2021 National Farm Survey, 2022)

**Calcium Ammonium Nitrate (CAN)**

	€/tonne	% change
April 2022	970	
April 2021	281	+246%
5yr Annual Average (2017-2021 inclusive)	269	+261%

(Source: Central Statistics Office, 2022)

**Rolled Barley**

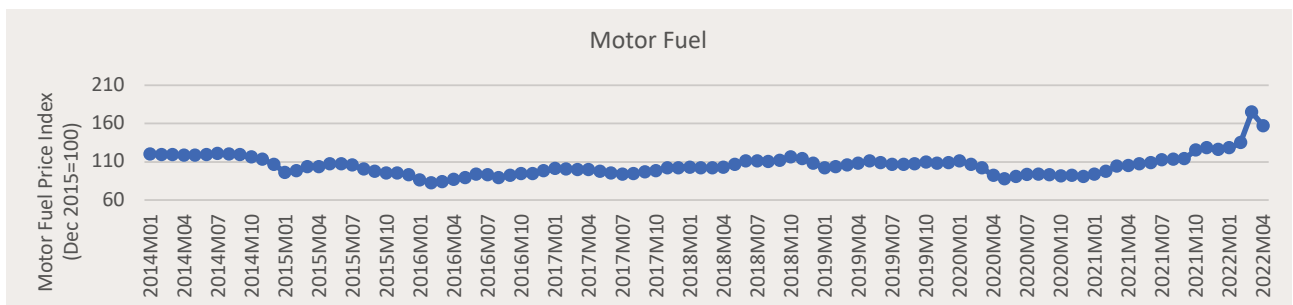
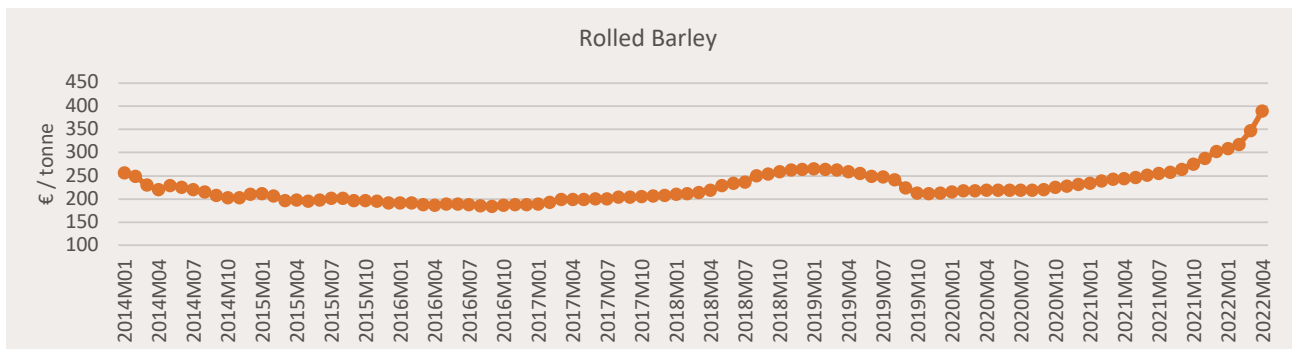
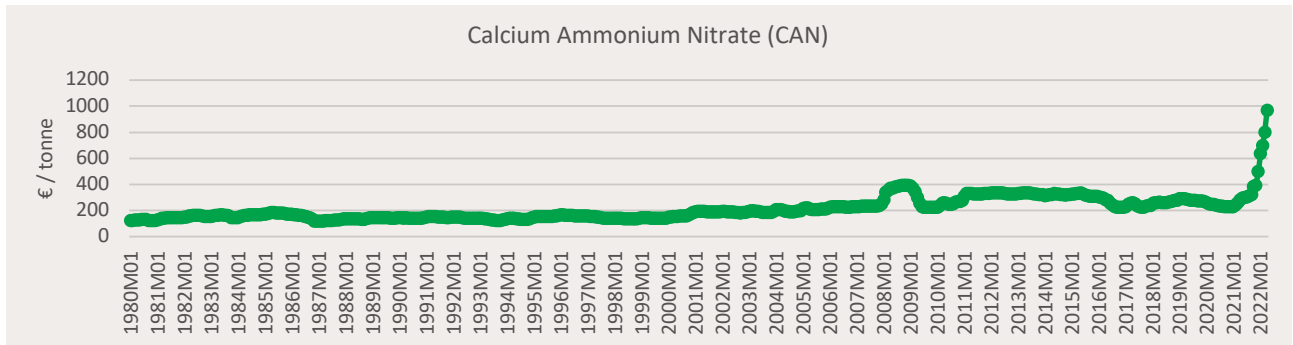
	€/tonne	% change
April 2022	390	
April 2021	244	+60%
5yr Annual Average (2017-2021 inclusive)	232	+68%

(Source: Central Statistics Office, 2022)

**Motor Fuel**

	€/litre	% change
April 2022	1.40	
April 2021	0.92	+53%

(Source: Central Statistics Office & IFA Estimates, 2022)





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## Notes

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