

The Irish Farmers' Association 2009 Budget Submission



Achieving the Potential of the Agriculture Sector, Restoring Equity to the Taxation System, and Supporting Renewable Energy

Executive Summary

1. The Irish agriculture sector has the potential to contribute to Ireland's economic recovery, through an increase in output, export earnings and employment to meet the growing global demand for higher value food products.

However, the inequitable cuts in farm schemes proposed in the Bord Snip report which would undermine the positive contribution of the agriculture sector to the economy and rural environment and further exacerbate an already dire farm income situation, must not be introduced.

In addition, the cuts already introduced in the 2009 Budgets, particularly for income support and restructuring schemes, including the Disadvantaged Areas, Suckler Cow, Installation Aid and Early Retirement schemes, must be reversed.

Government must implement the IFA proposed Alternative Savings in the Department of Agriculture Budget, which meet the Bord Snip saving requirement, while maintaining funding for vital farm schemes.

2. Government is directly responsible for many of the costs that continue to contribute to an uncompetitive business environment in Ireland.

Government must take action now to reduce uncompetitive business costs and pass through cost reductions to the agri-food sector, including Energy, Utility, Labour and Bureaucratic costs, the Regulation of the Retail Sector, Access to Bank Credit and introduction of an Export-Focused Credit Insurance Scheme.

3. Changes to the Taxation System must be equitably applied, must not undermine the competitiveness of the productive sectors in the economy, and must not discourage the restructuring of the agriculture sector. This includes:
 - No introduction of a Carbon Tax, until the Government addresses the uncompetitive elements of our economy;
 - Reforming the Income Levy system by applying it to the taxable income after the deduction of capital allowances, thereby ensuring equitable treatment of all taxpayers;
 - Introduction of an Earned-Income Tax Credit for self-employed taxpayers; and
 - No reduction in the rate of CAT Agricultural Relief, to promote structural reform and competitiveness.
4. The agriculture and forestry sectors are key to the bio-economy and, if correctly supported, can contribute significantly to meeting Ireland's renewable energy targets, including the generation of On-farm Energy, providing the raw material for Renewable Heat and inputs for Renewable Transport.

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Introduction – Strategy for the Public Finances 2010

Due to the severe downturn in the recent drivers of growth in Ireland, namely construction and consumer spending, the role of the agri-food sector in supporting and contributing to the recovery of the economy is in greater focus. National economic recovery depends on regaining a competitive business environment, which supports the productive exporting sectors [Ref: Section 2].

The economic downturn has resulted in a rapid deterioration in the Public Finances, with a collapse in tax revenue and a rising public expenditure bill. The ESRI have projected a general government deficit of €20 billion, or 12.2% of GDP for 2009. The September Exchequer figures indicate that the deficit will be in excess of this amount. This is an unsustainable situation.

IFA recognises that it is critical that the Government restore balance to the public finances as soon as possible. The method by which the Government chooses to do this will have serious implications for the speed and strength of our economic recovery.

In the 2009 Budgets, Government increased taxes significantly in a number of areas, including the introduction of an income levy and increased capital taxes. The cuts in public expenditure predominantly involved the reduction of funding for programmes and were particularly severe on income-supporting farm schemes. Expenditure on Public Sector Pay and Pensions and Social Welfare was not reduced.

IFA believes that the majority of savings in the public finances in the upcoming Budget must be found through further reductions in expenditure, rather than the imposition of more taxes, which will further dampen economic activity [Ref: Section 3].

In identifying savings, Government must seek to maximise employment and growth in the economy and must not target low-income and vulnerable sectors [Ref: Section 1].

Of the €56 billion in current expenditure in 2009, Public Sector Pay and Pensions account for almost €20 billion, Social Welfare transfers account for €21 billion, with all other programme expenditure accounting for €15.8 billion. The Government must achieve savings throughout the entirety of the public expenditure bill.

Savings in public expenditure must be achieved both equitably and efficiently, as outlined below:

- Savings in the cost of public service provision can be found through reduced administration costs and elimination of duplication of services across Government Departments;
- The CSO has identified a divergence in rates of pay between the public and private sector of 19%, which, in addition to the fall in the cost of living, leaves more than adequate room to reduce the costs of the public service without impacting on the level of service provision;
- The CSO analysis does not take into account the value of employee pensions. Reform of the public sector pension is urgently required, as the cost of servicing the future public sector pension requirement is not sustainable;
- Social welfare payments must be examined to ensure that they support the most vulnerable in society, are allocated on the basis of need, and do not provide a disincentive to work; and
- Programme expenditure, which is vital to supporting the productive sectors and generating economic activity, must not be cut.

Finally, the agriculture and forestry sectors are key to the bio-economy and, if correctly supported, can contribute significantly to meeting Ireland's emissions and renewable energy targets. [Ref: Section 4].

Section 1: Protecting Vital Farm Schemes in the context of Cutbacks in Public Expenditure

1.1 Impact of Proposed Cuts To Farm Schemes

The Irish agriculture sector has the potential to contribute to Ireland's economic recovery, through an increase in output, export earnings and employment to meet the growing global demand for higher value food products.

However, this potential is undermined by the combination of proposed cuts to farm schemes outlined in the Report of the Special Group on Public Service Numbers and Expenditure Programmes (hereafter Bord Snip) and the cuts already introduced in the 2009 Budgets. If fully implemented, these amount to an overall funding cut for vital farm schemes of over €300 m.

The cuts show a clear policy approach to agriculture whereby little or no Government funding will be provided to the farming community, other than the minimum required to draw down EU funds. This is totally unacceptable, and is the abandonment by Government of its support for a productive sector that plays a critical role in the economic and social well-being of rural Ireland.

Farm Incomes in 2009 are at their lowest level in decades. Average Farm Income fell by over 13% between 2007 and 2008, and through a combination of low commodity prices and Government cuts in funding, are projected to fall by at least a further 20% in 2009.

The proposed cuts are inequitable and unacceptable. Farm supports are being decimated at a time when farm incomes are only 1/3 of average public sector wages.

Table 1: Comparison of Incomes by Sector 2008-2009

Sectoral Incomes (€)	2008	2009 (est)
Average Public Sector Earnings	50,300	50,600
Average Industrial Wage	34,800	32,600
Average Family Farm Income – all farms	16,993	13,500
Average Family Farm Income – full-time farmers	21,125	16,500

These cuts will seriously undermine the positive contribution of agriculture to the rural economy, including a reduction in output for the agri-food sector, a fall in farm incomes, an increase in the number of farmers on Farm Assist, a reduction in the number of viable farms and an increase in rural unemployment.

The proposals to cut funding for other important rural programmes, including the Rural Transport Scheme, the CLAR rural investment scheme and funding for rural schools, further threatens the viability of rural society.

IFA estimates that the loss of output earnings in the agriculture sector from the proposed Bord Snip cuts to farm schemes alone will be €431m, while the additional cost to the Exchequer, in the form of Social Welfare payments is €240m, or €36m more than the proposed savings.

Table 2: Summary of Impact of Proposed Cuts on Rural Economy

Farm Enterprise	Reduction in Herd Numbers	Output Loss (€m)	Increase in Rural Unemployment	Increase in Farm Assist Numbers	Social Welfare Costs (€m)
Beef	20,588	348	6,863	5,147	149
Sheep	5,600	39	1,867	1,400	40
Dairy	1,900	44	633	475	14
Direct Cuts	-	-	2,962		37
Total	28,088	431	12,324	7,022	240

IFA proposes that the inequitable cuts in farm schemes proposed in the Bord Snip report, which will undermine the positive contribution of the agriculture sector to the economy and rural environment, and will further exacerbate an already dire farm income situation, must not be introduced.

In addition, the cuts already introduced in the 2009 Budgets, particularly for income support and restructuring schemes, including the Disadvantaged Areas, Suckler Cow, Installation Aid and Early Retirement schemes, must be reversed. Alternative methods of achieving savings in the Agriculture Budget must be found.

1.2 IFA Alternative Strategy for Department of Agriculture (DAFF) Budget 2010-2012

IFA recognises that it is critical that the Government restore balance to the public finances as soon as possible.

The greatest % of savings in the DAFF budget must however be achieved through the realisation of efficiency savings and reduced administrative costs, rather than the proposed devastating cuts in farm schemes.

IFA has identified savings of €184 m in the Net Department of Agriculture budget in 2010, a further €138 million in 2011 and €117 m in 2012. This represents a reduction of 27% in the budget between 2009 and 2012. At the same time funding for vital farm schemes is maintained.

Savings must be found through a combination of efficiency and administrative savings and natural staff attrition.

Savings include:

- Administrative savings in DAFF and State Agencies - €71m*;
- Savings in Research Expenditure - €14m; and
- Programme savings, including Pork Dioxin (€165m) and Farm Waste Management (€220m).

Table 3: Summary of IFA Proposed DAFF Budget and Savings 2009-2012 (€ millions)

Year	2009	2010	2011	2012
Gross Expenditure	1,985	1,801	1,663	1,546
Net Expenditure (less EU and Other receipts)	1,600	1,416	1,278	1,161
Annual Saving		184	138	117
Combined Annual Saving			322	439

*Savings in the DAFF and State Agencies must be found through a combination of efficiency and administrative savings and natural staff attrition. IFA has identified a catalogue of savings, which, if implemented, would reduce expenditure both at Department of Agriculture and individual farmer level¹.

¹ See Appendix I for a full summary of IFA Catalogue of Red Tape Items for Abolition

These include:

- Reduction in on-farm cross compliance inspections;
- Nitrates inspections undertaken as part of overall cross-compliance inspection;
- Use of trained technicians under veterinary supervision for meat inspection; and
- Extension of TB test requirement for animals going direct for slaughter to 18 months.

IFA proposes that the Alternative Savings in the Department of Agriculture Budget outlined, which meet the Bord Snip saving requirement, must be implemented. At the same time, funding for vital farm schemes must be maintained.

1.3 Funding for Vital Farm Schemes

It is critically important that funding for farm schemes, which support the productive capacity and development of the agriculture sector, is prioritised in the budget allocations 2010-2012.

The IFA proposed DAFF budget for 2010-2012 includes savings of €439 m but retains funding for all farm schemes.

IFA proposes that the DAFF budget for 2010-2012 must include the following funding allocations for vital farm schemes:

- **Disadvantaged Areas Scheme** – The cuts in funding introduced in the 2009 Budget are reversed, giving an annual allocation of €254 m for this scheme;
- **REPS** – The current Budget allocation of €330 m annually, which includes the 17% reduction in REPS 4 Payments, must be maintained, to ensure the maximum participation in this vital environmental scheme. In addition, from 2010 onwards, modulation funding of €45 m annually, which has been earmarked for Rural Environmental Programmes, is added to the REPS scheme to give an annual funding allocation of €375 m;
- **Suckler Cow Scheme** – Funding for the scheme must be maintained at a minimum of €45 m annually to 2013, to meet the five-year funding commitment of €250 m;
- **Forestry** – The reduction in forestry premium introduced in the 2009 Supplementary budget must be reversed to ensure continuation and further development of the afforestation programme;
- **Installation Aid and Early Retirement Scheme** – Funding for these two schemes, which are essential to the restructuring of the agriculture sector must be maintained. The Minister must reverse the decision to suspend entry to these schemes and provide a definite date for their reopening;
- **Farm Improvement Scheme** – funding for this capital investment programme for farm modernisation must be maintained at €15 m per annum; and
- **Fallen Animal Schemes** – There is no additional funding allocation for this scheme past 2009. However, following the Minister's decision to remove funds from the Fallen Animal Scheme, the cost of disposal must be reduced through the provision of real competition in this area. Utilisation of hunts and kennels and direct delivery to rendering plants with licensed burial in remote areas must be allowed immediately.

1.3.1 Funding for Rural Development Programmes

Government must commence the programmes for farm modernisation outlined under the amended Rural Development Programme in 2010, including the Loose House Sow Welfare Scheme, Poultry Cage Scheme, Dairy Equipment scheme, Sheep Fencing, Water Harvesting, Bio-energy and Central Milk Testing.

1.3.2 Aquaculture Capital Grant Aid

It is critical that the investment sanctioned under the European Fisheries Fund (EFF) for the modernisation of the aquaculture sector, through improving production methods, technology and environmental systems, is immediately undertaken. This investment is vital to maintain and develop jobs and exports in the aquaculture sector and to retain competitiveness with other EU member states, which have already commenced significant investment under the EFF.

IFA proposes that a minimum of €10 million is budgeted for the 40% Aquaculture Capital Grant Aid Schemes, as recommended in the Government’s “Strategy For A Sustainable Seafood Industry” (the Cawley Report). This funding can be found through the reduction in funding requirement for Fishing Fleet Decommissioning.

1.4 Funding for important rural schemes

1.4.1 Rural Transport

The Rural Transport Scheme has been of vital importance in the provision of transport to elderly people in rural areas and in particular peripheral areas. It was estimated that 380,000 people living in rural Ireland have transport requirements.

IFA proposes that the Rural Transport Scheme should be continued to provide a vital support to the provision of transport services to all rural areas. Streamlining of administration to reduce overheads must also be a priority to ensure maximum impact.

1.4.2 Rural Social Scheme

The Rural Social Scheme has proven to be of significant support to low income farmers who are on Farm Assist or other social welfare schemes.

The scheme has also played a significant role in rural development and it has impacted at local level.

IFA proposes that the number of places on the Rural Social Scheme be increased from the current level of 2,600 places up to 4,000. This should apply in all areas and there should be some relaxation in the rules governing eligibility. For example, farmers on low income who are not on Farm Assist or other social welfare schemes should also be considered for eligibility.

1.4.3 Walks Scheme

The Walks Scheme, introduced in 2008, has led to the development of trails with over 1,100 participating farmers. This scheme has had a significant impact on the development of recreational activities, boosting rural tourism and supporting farmers who provide access to their lands.

IFA proposes that the number of walks covered by the scheme should be doubled over the next 12 months.

Section 2: Restoring Competitiveness to the Irish Economy

Ireland is a small open economy. The competitiveness of the goods and services we supply to the domestic and export market is of huge importance in sustaining growth and contributing to economic recovery. Policy decisions of much of the last decade largely ignored this fact, during which time Ireland lost over 32% of its international competitiveness.

Over the last year, this decline has continued, with Ireland slipping from 22nd to 25th in the 2009/2010 Global Competitiveness Index. This ranking places Ireland below our main trading partners, including the UK, France, Germany and the US.²

The continuing weakness of sterling against the euro has also undermined the competitiveness of the Irish exporting sector throughout 2009. This is particularly true for the agri-food sector, which exports over 40% of its produce to the UK. As a member of the Eurozone, Ireland does not have an independent monetary policy and therefore cannot devalue its currency to regain competitiveness. In lieu of this option, costs have to be cut across the entire economy.

Government is directly responsible for many of the costs that continue to contribute to an uncompetitive business environment in Ireland.

In order for the agri-food sector to fulfil its growth potential and increase its contribution to the economy in the coming years, Government must make a clear commitment to supporting the sector through improving the competitiveness of the business environment in which it operates.

IFA proposes that Government must take action now to reduce uncompetitive business costs and pass through cost reductions to the agri-food sector, including:

- **Energy Costs** – while the price of energy has come down, Government must instruct the Commission for Energy Regulation to reduce prices further, with world oil and gas prices still below 2007 figures;
- **Utility Costs** – Government must introduce a livestock rate for Agricultural Water Charges which recognises the usage requirements of the sector and which is in line with the discounted price charged to other significant non-domestic water users;
- **Bureaucratic costs** – Government must reduce administrative costs and unnecessary duplication of services – e.g. On-farm inspections to be undertaken by Department of Agriculture Officials only;
- **Labour Costs** – The cost of living has fallen significantly in the last year, with deflation of more than 5%. Government must address the issue of uncompetitive labour costs urgently by reducing the Minimum Wage and thereby influencing wage rates across the economy;
- **Regulation of Retail Sector** – The retail multiples must be regulated to rebalance power in the food chain between retailers and their suppliers and ensure equity and transparency in the share out of the consumer price. Government must introduce a retail code of practice and a supermarket ombudsman;
- **Access to Bank Credit** – Under the recapitalisation programme, banks are required to provide at least 10% more capacity for lending to SMEs, including farm businesses, in 2009. Government must ensure that this is being undertaken and that the cost of credit is competitive; and
- **Export Credit Insurance** – Government must introduce an export-focused short-term state-supported credit insurance scheme to supplement the capacity of the existing commercial insurance market.

¹ *The Global Competitiveness Report*, World Economic Forum, September 2009

Section 3: Taxation

3.1 Carbon Tax

The Commission on Taxation, in its terms of reference, was directed by the Government to have regard to certain commitments in the Programme for Government, including the following one: *“To introduce measures to further lower carbon emissions and to phase in on a revenue neutral basis appropriate fiscal measures including a carbon levy over the lifetime of the Government.”*

The Commission on Taxation recommends the introduction of a carbon tax on fossil fuels at a rate based on the trading price for carbon under the EU Emissions Trading System, but with a floor price of €20/tonne. Thus, the tax would apply to petrol, diesel, farm diesel, coal etc.

IFA is opposed to the carbon tax as it will be just another cost to the productive, export-driven sectors of the economy and will discriminate against rural dwellers generally as they do not have the option of public transport. It will be a significant additional cost in farm production where energy costs amounted to €340m in 2008, and where alternative energy sources are not readily available.

IFA proposes that a carbon tax must not be introduced until the uncompetitive elements of our economy are addressed by the Government and not before a similar tax is imposed on our main European and international competitors, as it would be trade distorting and further undermine competitiveness.

3.2 NAMA Legislation/Higher Rate of Capital Gains Tax on Windfall Gains

The Commission on Taxation recommended that windfall gains arising from increase in land value due to rezoning decisions should be subject to a higher CGT charge when the asset is sold. The Commission did not recommend any particular rate of tax under any of its proposals. However, it made the general recommendation that, *“lower tax rates on a broad base are better than higher rates on a narrow base”*.

In recent weeks, the Minister for Finance, in the context of the publication of the legislation on the National Asset Management Agency, stated that windfall gains on rezoned land would be subject to CGT at 80%, and that the legislation would be introduced at a later stage of the NAMA bill.

IFA is opposed to the 80% CGT proposal, and in particular to an 80% CGT applying to relatively small gains from disposal of rezoned land.

IFA is also totally opposed to the proposed 80% CGT applying to non-rezoned land at prices above the average agricultural price of land.

3.3 Restoring Equity to Taxation System – Commission on Taxation Recommendations

3.3.1 Income Levy

The Income Levy introduced in the 2009 budget and doubled in the supplementary budget seriously discriminates against farmers because of the method of assessment of farm income. Unlike the definition of “income” which applies for income tax, health levy and PRSI levy payments, the income levy applies to “gross income” prior to the deduction of capital allowances. This results in major discrimination against farmers whose businesses require a significant amount of ongoing capital investment, and who have undertaken a major investment in farm buildings and facilities in recent years in order to comply with environmental regulations.

The Commission on Taxation recommends that *“there should be a single system which collects tax on income”*. It also notes that the Income Levy may be seen as a mechanism devised as a temporary measure.

It is acknowledged that there would be significant implications for income tax rates if the income levy, health levy and PRSI were to be integrated into the income tax system in the short-term; however, the current discrimination against farmers must be tackled with urgency.

IFA proposes that in the 2010 budget, the Government should reform the Income Levy system by applying it to the taxable income after the deduction of capital allowances, thereby ensuring equitable treatment of all taxpayers.

In addition, IFA proposes that the Government should state its intention to move to a single system of taxation of income, in order to ensure equity, and to remove unnecessary compliance costs for self-employed taxpayers.

3.3.2 Earned Income Tax Credit

Farmers and other self-employed taxpayers have been denied significant personal tax credits available to employees and others paid through the PAYE system. This anomaly continues to apply, despite the fact that the self-employed are taxed on a current year basis. The PAYE personal tax credit now amounts to €1,830. This provides a tax saving of up to €3,660 to a household with two PAYE incomes when compared with a farm family household.

The exclusion of self-employed taxpayers from the PAYE tax credit is particularly penal at low income levels. A self-employed taxpayer (single) becomes liable to pay income tax at an income level of €9,150/year, whereas an employee is not liable to pay income tax until an income of €18,300 is reached. It should also be noted that the PAYE credit is not just confined to earned income; people on pensions who are paid through the PAYE system also qualify. This involves sectoral discrimination within the income tax code.

The Commission on Taxation in its analysis recognised that some differences remain in the method of assessment of income between employees and self-employed, but concluded that the size of the Employee (PAYE) Tax Credit is disproportionate to these. The report states *“Rather than differentiating between income from employment and other income, the differentiation in future could be between earned and un-earned income and a tax credit given to those taxpayers, in receipt of earned income. This would recognise the fact that income from both employment and self-employment is earned and would reward effort. It would also compensate for the fact that much passive investment income is taxed at lower levels of tax.”*

The Commission concluded that this matter should be addressed over time and its recommendation is as follows: *“An earned income credit at a modest level should be phased in over time for proprietary directors and the self-employed.”*

IFA proposes that an Earned Income Tax Credit of €1,000 should be introduced for self-employed including farmers in the 2010 budget, and phased up to the same level as PAYE tax credit over 3 years.

3.3.3 Restoration of CGT Rollover Relief in the case of CPO Land

IFA considers that the abolition of CGT Rollover Relief in the case of disposals after December 2002 is having a seriously negative impact on farm consolidation, and thereby on the competitiveness of Irish agriculture. Furthermore, IFA is particularly concerned about the impact of the abolition of Rollover relief on farmers who have been subject to CPO purchases of their farmland. These issues have become more acute, following the increase in CGT rates from 20% to 25%.

It is regrettable that the Commission on Taxation did not recommend the full re-introduction of CGT Rollover relief. However, the Commission made an exception for farmland purchased by CPO.

The Commission report states: *“Where land is acquired from a farmer under a compulsory purchase order, a proportion of the income-earning asset is lost unless the farmer uses the proceeds to acquire replacement farmland. However, a farmer who wishes to replace the land compulsorily acquired would, where capital gains tax is payable, have reduced funds with which to purchase replacement farmland. We note that the governing legislation provides that the compensation is at market value and compensation provides an amount to restore the landowner to his or her pre-compulsory purchase order position.”*

The Commission on Taxation recommends that: *“Capital gains tax rollover relief should apply to the gains on disposal of farm land pursuant to a compulsory purchase order where the proceeds are re-invested in farm land”*.

IFA proposes that CGT Rollover relief should be restored in the 2010 budget for farmland sold under CPOs and subsequently replaced.

3.4 Major Issues of Concern to IFA in the Commission on Taxation Recommendations

3.4.1 Capital Acquisitions Tax

- (i) Proposed reduction in Agricultural / Business Relief from 90% to 75%.

The impact of this recommendation from the Commission on Taxation would be to reduce the exempt threshold from €4.34m to €1.74m, a reduction of 60%. The concern for IFA is that the scale of farm required to achieve an income level in line with average industrial earnings is increasing over time due to low product prices, high costs and cutbacks in income support schemes. Average farm size in Ireland is only about 85 acres (34.5 hectares) and in 2009 IFA estimates that average farm income will be only about €13,500. This equates to only 41% of the estimated average industrial wage of €32,600.

IFA proposes that the recommended 60% cut in the CAT threshold is excessive, and that the existing rate of Agricultural / Business rate should be retained, as a key element of Ireland’s policy on structural reform and competitiveness in agriculture.

- (ii) An integrated Business relief system.

The Commission on Taxation also recommends that Business relief and Agricultural relief be amalgamated into a single relief. The report goes on to state: *“However, the requirement under business relief that the business must have been carried out for a period of five years before the transfer could, in the case of farming, act as an impediment to leasing of land. In recognition that leasing of farmland contributes to increased efficiency in the sector, the ‘leasing out of farmland’ before the gift or inheritance should qualify as a ‘business’ in a single relief system.”*

IFA proposes that, if Agricultural relief and Business relief are integrated, the detailed legislation should be amended to ensure that the leasing out of farmland is defined as “business” for the purpose of Business relief.

3.4.2 Capital Gains Tax – Retirement Relief

The Commission on Taxation report recommends the introduction of a ceiling of €3m on the value to an asset transferred to a family member, and that CGT would apply on the part of the gain which is attributable to the amount over €3m.

IFA is opposed to this proposal for the following reasons. First, the transferor normally receives no payment in the case of inter-generational family transfers. Second, the transfer is subject to the Capital Acquisition Tax payable by the transferee. Third, as CGT is payable only in lifetime transfers, farmers may choose to defer transfers of commercial farms.

3.4.3 Capital Allowances for Farm Buildings

The Commission on Taxation report contains a recommendation that taxable income should be computed for business income (schedule D, case I and II) based on accounts depreciation rather than capital allowances. For buildings, it means a depreciation rate of 4%/year, but only where such buildings qualify the capital allowances under the existing regime. For farm buildings the implications is that the current regime of 15% per year would change to 4% per year. However, it is recommended that the change could be implemented by the business any time in a 5 year transition period.

IFA proposes that this recommendation from the Taxation Commission should not be implemented, as it would act as a disincentive to investment on farms.

3.5 Non Principal Private Residence Charge

In the Local Government (Charges) Act 2009 which has introduced the Non Principal Private Residence (NPPR) charge, a “residential property” is defined as “a building situated in the State used, or suitable for use, as a dwelling”. The meaning of “suitable for use” is not further clarified.

Many farmers who have an old, unoccupied residence on the farm are concerned about their liability for the NPPR annual charge of €200. Such houses have no letting value. Typically they may be used for equipment storage or as an office or workshop, and may have a connected electricity supply.

IFA proposes that the Minister of the Environment and Local Government should clarify that such buildings are not “residential properties” for the purpose of the NPPR Act. IFA’s position is that this determination should not be the responsibility of individual County Councils, in the interests of a coherent national policy position.

Section 4: Sustainable Investment in Energy Security and Emission Reductions

This December in Copenhagen Ireland will be part of an international gathering that will endeavour to agree a successor to the Kyoto Protocol. This Protocol developed binding greenhouse gas (GHG) reduction targets and ends in 2012.

The agriculture sector has significant policy concerns, which include:

- To ensure that a future climate change deal does not reduce output from sustainable regions such as Ireland, while increase GHG emissions from less environmentally sustainable regions;
- To ensure that agriculture's ability to meet the ever-increasing demand for food is not hampered by GHG emission reduction targets.

The agriculture and forestry sectors are key to the bio-economy. These sectors have the capacity to increase production of renewable energy and alternative fuel sources, and in doing so contribute to a reduction in emissions for the electricity, heat and transport sectors. In order to exploit fully the potential of these sectors, the following supporting policies must be implemented:

4.1 Renewable Electricity – On-Farm Energy

The Planning regulations must be amended to:

- Allow landowners to put up more than one wind-tower with a density of no greater than 1 per hectare with a maximum of 10 wind turbines;
- Allow towers of up to 18 metres provided they are 50 metres from other dwellings (excluding the farmer's dwelling) and primary and secondary roads (up to 38 metres if distance is 100m, and 50m if distance is 200m);
- Allow at least 35 kWh (36 kWh in France) of solar PV on the roof of existing buildings, where 1 kWh is about 7m²; and
- Introduce a simplified planning application process for suitable anaerobic digestion facilities.

A targeted REFIT³ tariff must be introduced for micro energy of 22c per kWh to allow for an acceptable return on investment in micro-generation. In addition a stimulus package must be introduced in the form of a double capital allowance tax relief up to a maximum investment of €50,000 in micro energy for any individual.

Other measures, which must be included, are:

- Smart and net metering technologies to allow for measurement of all on farm electricity production.
- Cost-sharing between individual and ESB for preliminary desktop survey on feasibility of grid connection;
- Removal of the application fee for grid connection for proposed renewable energy projects of 1MWe or less.
- Amendment of the "gate" system as operated by the Commissioner for Energy Regulation (CER).
- Provision of 100% grant-aid to establish 8 wind micro energy units, 4 micro solar units and 2 small anaerobic units on farms across the country, to enhance the education and research of micro energy development in Ireland.

IFA proposes that the planning regulations are amended, a REFIT tariff be introduced and a package of additional measures are introduced including capital allowance relief and smart and net metering technologies.

³Renewable Energy Feed In Tariff

4.2 Renewable Heat

The renewable heat sector offers farmers enormous opportunities to become heat entrepreneurs. IFA estimate that 6,500 sustainable rural based jobs could be created in the forest energy supply chain by 2015. To ensure a sustainable supply of raw material IFA propose the following:

- A minimum annual Afforestation Programme of 10,000 ha. To stimulate resurgence in planting the 8% forest premium cut must be paid as deferred payment at year 20 or earlier and the replanting obligations must be removed with safeguards; and
- The continuation of the BioEnergy Scheme (BES) with capital allowances on establishment costs allowed, the Rural Environmental Protection Scheme (REPS) 10 ha limit for payments on energy crops amended and energy payment top up of €125.

A Biomass Mobilisation Programme is needed to support the technical development of the supply chain. Bioenergy is a new market and requires investment in infrastructure, specialised equipment and training to create a viable market. Inadequate funding of the Forest Road Scheme is impeding the development of forest supply chain a minimum budget of €10 million is required in 2010. As part of the programme funding should be provided to fund on farm research, regarding real time and cost in logistics of production and transport of biomass from sources to conversion plants to end users (from farm-to-power).

A major barrier to development of on-farm energy enterprises is the lack of scale in the market. IFA propose that the Government introduce a Biomass Public Procurement Initiative, to convert 25% of public buildings to bioenergy heating systems in the next five years. This would reduce annual heating costs by over €100 million and create new market opportunities and scale in the bioenergy sector. A similar initiative must be created to incentivise biomass production for co-firing in Ireland's three peat-burning plants.

IFA proposes that the Afforestation and BioEnergy Scheme amendment be adopted and that both the Biomass Mobilisation Programme and a Biomass Public Procurement Initiative be introduced.

4.3 Renewable Transport

The MOTR scheme must be amended to introduce:

- A use-or-lose clause for recipients of MOTR³ excise relief on biofuels and re-allocate to companies capable of producing indigenous transport biofuels;
- Targeted MOTR schemes in the pure plant vegetable oil (PPO) sector, which is the most carbon efficient method of producing transport biofuels in the EU.

In addition incentives must be provided to the HGV sector to facilitate the switch over to PPO.

In the medium term it is anticipated that transport bio-fuels will be predominately commercially produced from cellulose, using 2nd and 3rd generation technologies using enzymes or other bio-refined processes. It is critical that at an industry using 1st generation technologies are built in order to allow a seamless move to newer technologies when they become commercially viable.

IFA proposes that the MOTR scheme be amended, that HGV are incentivised to switch to PPO and that 1st generation processing technologies are installed.

³ Mineral Oil Tax Relief

Appendix I: IFA Catalogue of Red Tape Items for Abolition

IFA has identified a catalogue of efficiency and administrative savings, which, if implemented, would significantly reduce expenditure both at Department of Agriculture and individual farmer level. The value of these savings is estimated at up to €80 m. These include:

Farm Inspections

- Reduction in on-farm cross compliance inspections;
- Undertake Nitrates inspections as part of overall cross-compliance inspection;
- 14 days advance notice for all inspections;
- Reduction in Department of Agriculture Inspections on Pig Farms;
- Removal of compulsory maintenance of the herd register; and
- Discontinuation of unnecessary farm visit for Farm Investment Grant Application

Animal Health

- Extension of TB test requirement for animals going direct for slaughter to 18 months;
- Provision of fax/email permits for animals going to slaughter in TB restricted farms;
- Facilitation of farm to feedlot sale of restricted animals;
- Allow immediate replacement of reactor animals;
- Payment of full-agreed market valuation amount without deductions;
- Abolition of levy for scrapie testing and reduction of level of scrapie testing;
- Allow sale of animals with one tag through marts;
- Remove duplicate recording of specific animal prescriptions in animal remedies book; and
- EU-wide registration of all Veterinary medicines.

Meat Inspection

- Use of trained technicians under veterinary supervision for meat inspection.

REPS

- Abolition of requirement for farmers to keep annual REPS record sheets.

Environment

- Simplification of Application process for Nitrates Derogation.

Tillage

- Lift ban on Winter Ploughing.

Forestry

- Develop a Critical Load Approach to Afforestation in Acid Sensitive Areas.

Pig/EPA Licensing

- Reduction in initial application and ongoing-annual costs of EPA licenses.

Aquaculture

- Elimination of duplication of attendance by Fishery Board officers to oversee the work of another state agency (Marine Institute) officials at sea lice inspections;
- Enforcement of a defined time limit on each aquaculture license application; and
- Development of a single-agency approach to statutory inspections.

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