IFA SUMMARY REPORT ON NATIONAL RECOVERY PLAN

Introduction

The Government National Recovery Plan 2011-2014 sets out the programme of expenditure reductions and tax increases for the next four years. Overall, an adjustment of €15 billion will be made, of which €5 billion is for taxation increases, €3 billion for capital expenditure reduction and €7 billion for current expenditure reductions.

This document provides a summary of the main measures announced that will affect farm businesses and farm families. Further details for 2011 will be announced in the Budget on 7th December.

1. Agriculture Expenditure

1.1 Current expenditure

- Agriculture current expenditure will be reduced by €221 m between 2011 and 2014
- In 2011, the reduction is €75m. This includes:
  - Reduced expenditure on REPS/ AEOS of €35m on 2010 allocation
  - Reduction in Disease Eradication expenditure - €6m
  - Reduced expenditure on Early Retirement Scheme - €5m
  - Reduced Intervention Costs - €4.5m
  - Reduced pay and administration costs for DAFF and State Agencies - €23.5m

1.2 Capital Expenditure

- The allocation for 2011 of €299m includes €120m for FWMS. This is a reduction of €50m on the allocation announced by Government in July 2010 in their *Infrastructure Investment Priorities* report.

IFA Response

- Funding for REPS/ AEOS is inadequate and must be addressed for farmers leaving REPS3 in 2011. IFA want Minister to pay out all monies due this year to assist in dealing with this problem.
- On the Capital side, the shortfall in funding for 2011 can be addressed by paying out the final tranche of FWMS before year end. IFA believe this is attainable.
- The shortfall for forestry expenditure is not addressed in the four-year plan and no detail is likely to be available until the Budget on December 7th.
- IFA Budget campaign to continue.

2. Agricultural Taxation

- Main Capital taxes unchanged in 2011 – exception is Accelerated Capital Allowances, which will be discontinued from end 2010, as scheduled. Ordinary Capital Allowances remain.
- Rates and thresholds on capital taxes/ stamp duty to be changed in 2012.
- Site Value tax (Property Tax) to be introduced in 2012 at a rate of €100/annum. The Site Value tax will not be applicable to agricultural land.
- Carbon Tax is to be doubled from €15/tonne to €30/tonne between 2012 and 2014. First increase of €10/tonne is in 2012.

IFA Response

- Doubling of Carbon Tax will increase farm input costs by a further €23 m by 2014. IFA will lobby Government on this uncompetitive tax in 2011.
- Proposed changes to capital taxes and stamp duty will be part of IFA's campaign in 2011.

3. Adjustments in other Sectors

3.1 Expenditure

- Social Welfare - Savings of €760 m in 2011 in Social Protection expenditure – details to be announced on Budget Day
- Education – Student service Charge for higher education institutions to be replaced by flat contribution of €2,000 per student
- Labour Costs - Reduction in Minimum Wage by €1 to €7.65. Review of Registered Employment Agreements/ Employment Regulation Orders to be undertaken – this will impact upon Agricultural Workers Joint Labour Committee

3.2 Taxation

- No change to corporation tax rate of 12.5%
- The VAT rate will be increased by 1% in 2013 and a further 1% in 2014 (from 21%-23%)
- PRSI and Health Levy Relief on pension contributions to be abolished in 2011
- Income tax relief on pension contributions to be reduced from 41% in 2011 to 20% by 2014
- Broadening of income tax base through reduced tax credits/changes to tax bands – specific proposals to be announced in Budget

IFA Response

- The broadening of the tax base and reduction in services will impact very negatively on farm income, particularly those on low incomes.
- Increase in VAT must be fully reflected in the VAT flat-rate refund to farmers.

Rowena Dwyer ***Gerry Gunning***
Farm Business Committee ***Rural Development Committee*** ***24th November 2010***