

1. Budget Overview

Budget 2014 sets out the expenditure reductions and taxation changes for the next 12 months, in line with the Irish Stability Programme update and the programme of Financial Support, agreed with the EU/IMF. In total, an adjustment of €2.5b will be made, of which €1.5b is for current expenditure reductions, €100m capital expenditure and €900m in taxation increases (€300m when you allow for €600m worth of measures carried forward from Budget 2013).

The 2014 allocation for the Department of Agriculture is €1,203b, which is approximately a reduction of 3% on the 2013 allocation. The total budget allocation comprises of €1,019.2m in current expenditure and €183.7m in capital expenditure.

The main announcements and changes in public expenditure and taxation affecting farm businesses and families are set out below.

2. Main Changes to Public Expenditure

2.1 Agriculture Budget

2.1.1 Current Expenditure

New Suckler Cow Scheme: A new Suckler Cow payment will be introduced in 2014, worth €40/cow and combined with the existing Beef Data Programme of €20/cow, will bring payments to a total of €60/cow.

Funding of €23m per annum has been provided for the new suckler genomic scheme. In addition, the Beef Data Programme funding of €10m per annum remains, bringing total funding to the suckler sector of €33m. At a rate of €60/cow in total, this will enable payments on about 550,000 cows.

The requirements under the new Suckler Genomic Scheme are still to be clarified, but are understood to involve DNA and Genomic testing, about 15% of the herd, plus the stock bull. Testing is estimated to cost about €25/animal. The breeding objective is to establish a genetic profile on a number of the key animals in the herd, which in turn can be used for genomics, i.e. genetic prediction.

Disadvantaged Areas: No change in the allocation for the Disadvantaged Areas Scheme at €195m for 2014.

REPS / AEOS: The allocation for REPS/AEOS in 2014 is €184m. This is to fund the 37,000 farmers who are still in REPS4, AEOS1, 2&3 and carryover from payments which were due in 2013. There is no rollover of payments for 13,000 REPS 4 participants whose contracts end in 2013. No Reopening of AEOS for new entrants in 2014. A new agri environment scheme will be introduced in 2015 in the context of the RDP 2014 - 2020.

Discussion Groups: Funding allocation of €5m for beef discussion groups, €3m for sheep and €1m for dairy (new entrants only).

Sheep Grassland: The Sheep Grassland payment is rolled over to 2014 and funding is increased by €1m to €15m.

Funding of other bodies: There is little or no change from Teagasc, Bord Bia and BIM funding allocations.

Food safety animal and plant health: €84m is allocated of which €35m is for TB and Brucellosis Eradication.

Pay and administration: The pay and administration allocation in the Department of Agriculture will fall from €221.3m to €216.3m.

2.1.2 Capital Expenditure

Forestry: The funding allocation for the forestry programme is €110.8m for 2014, which will maintain current forestry premium, forest road grants and new afforestation of 7,000ha in 2014.

TAMs: Funding of €15m for all TAMs schemes when farmers complete their work towards the end of 2013 and 2014. The TAMs scheme closes at the end of the 2013.

Horticulture: Funding allocation for horticulture sector has increased to €4.2m for 2014.

2.2 Other Expenditure & Social Welfare Changes

2.2.1 Social Protection

Farm Assist: The allocation for Farm Assist is reduced from €99.45m to €91.6m. This reflects Budget 2012 and 2013 changes to the assessment process where the income and child disregards were abolished.

Child benefit: Rate maintained at €130 per month for 2014.

Household benefits package: Removal of support for telephone allowance scheme.

2.2.2 Health

Free GP care: Free GP care for children under five years has been introduced in Budget 2014 from July 2014.

Mental health services: An allocation of €20m has been ring fenced for mental health services in 2014.

Medical card: Reduction in income thresholds for the over 70s medical card holders from €1,200/week to €900/week for a couple and from €600/week to €500/week for a single person.

Fair deal Scheme: There are no changes to the Fair Deal Scheme in Budget 2014.

2.2.3 Education

There has been no mention of the asset test for maintenance grants in Budget 2014. The book loan scheme has been introduced for primary schools that currently do not have such a scheme.

3. Taxation Measures

3.1 Agricultural Taxation

VAT Refund: The flat-rate VAT refund is being increased from 4.8% to 5% from 1 January 2014.

CGT Retirement Relief: Extension of CGT Retirement Relief to allow farmers to avail of long term lease agreements who have no children willing to take up farming to subsequently transfer/dispose of assets, including land to individuals other than direct family members.

Taxation Review: A comprehensive review and Cost Benefit Analysis of taxation measures will be undertaken with a view to Budget 2015. The review is to be undertaken by the Departments of Finance and Agriculture.

3.2 General Taxation Measures

Property Tax: A tax on residential property was introduced from 1 July 2013. The agreed rate is 0.18% of market value up to €1m. For high value houses, the value over €1m will be taxed at 0.25%. The tax will be applied for the entire year in 2014 as opposed to half year as was the case in 2013.

DIRT: The rate of DIRT tax will be increased from 33% to 41%.