

# FINANCE BILL 2013 – TAXATION ISSUES RELEVANT TO FARMING

## 1. FARM TAXATION

### **CGT Relief for Farm Restructuring**

- The Bill provides for the measure announced in Budget 2013 that to enable farm restructuring, relief will be available where the proceeds of a sale of farm land are reinvested for restructuring purposes.
- The sale and purchase of the farm land must occur within 24 months of each other and the initial sale or purchase transaction must occur within the period commencing 1 January 2013 and ending on 31 December 2015.
- The relief will also apply to farm land swaps and certification will be required by Teagasc for all transactions seeking relief.
- The commencement of the relief is subject to receipt of EU State Aid approval.
- Full relief from capital gains tax will be given where the consideration for the purchase of agricultural land is equal to or exceeds the consideration for the sale of the other land
- Where the consideration for the purchase is less than the consideration for the land that is sold, relief will be given in the same proportion that the consideration for the land that is purchased bears to the consideration for the land that is sold.

### **Stamp Duty - Young Trained Farmer Relief**

- The Bill includes a provision to extend the relief from Stamp Duty on transfers of agricultural land for “young trained farmers” for a further three years to 31 December 2015.

### **Stock Relief**

- The Bill extends the general rate of stock relief of 25% to 31 December 2015.

### **Stock Relief for Young Trained Farmers**

- The Bill extends the enhanced 100% rate of stock relief for qualifying young trained farmers to 31 December 2015.
- As part of the EU State Aid process certain conditions are being attached to the special 100% rate of stock relief for young trained farmers.
- A business plan must now be submitted to Teagasc unless a business plan has otherwise been submitted to Teagasc or the Minister for Agriculture, Food and the Marine for any other purpose
- The amount of stock relief (cash equivalent) is limited to limited to €40,000 in a single year of assessment and €70,000 in aggregate over the course of the scheme (i.e. 4 years)

### **Stock Relief for Registered Farm Partnerships**

- The Bill extends the definition of registered farm partnerships for the purposes of the enhanced 50% stock relief (100% for certain young trained farmers) to other registered farm partnerships such as beef or sheep farm partnerships.
- There will be a register of farm partnerships to be provided by way of regulations made by the Minister for Agriculture, Food and Marine with the consent of the Minister for Finance

### **Reduction In The Farmer's Flat-Rate Addition From 5.2% To 4.8%**

- The farmer's flat-rate addition was reduced from 5.2% to 4.8% with effect from 1 January 2013.
- The flat-rate scheme compensates unregistered farmers for VAT incurred on their farming inputs.

- The flat-rate addition is reviewed annually in accordance with the EU VAT Directive, and the reduction to 4.8% in 2013 arose from a significant increase in the value of farmers' output during the period 2010-2012 in comparison to their VAT costs.
- However, the new 4.8% rate continues to achieve full compensation for farmers.

#### **Business/Farm Disposal**

- Finance Act 2012 capped relief from CGT at a limit of €3 million on the value of disposals by individuals aged 66 or over of business or agricultural assets to their children and certain other individuals.
- The €3 million limit is an aggregate lifetime limit for all disposals arising on or after 1 January 2014 and made at a date when the individual transferring the assets is aged 66 or over.

## **2. OTHER TAXATION**

#### **Capital Gains Tax Rate**

- The Budget Day announcement that the Capital Gains Tax (CGT) rate was increased from 30% to 33% in respect of disposals made after 5 December 2012 is confirmed in various provisions of the Bill.

#### **Capital Acquisitions Tax Rate And Group Tax Free Thresholds**

- The Bill gives effect to the Budget Day announcement that the Capital Acquisitions Tax (CAT) rate was increased from 30% to 33% in respect of gifts and inheritances received after 5 December 2012.
- It also makes provision for reducing the CAT Group tax-free thresholds by 10%. This reduction applies in respect of gifts or inheritances taken after 5 December 2012.

#### **Auto-Diesel Excise Duty Relief For Certain Commercial Users**

- Provision is made for a relief from excise duty on auto-diesel for licensed road hauliers and licensed passenger transport to be introduced from 1 July 2013.

#### **Carbon Tax**

- Provision is made for the carbon tax to be extended to solid fuels on a phased basis. A rate of €10 per tonne will be applied with effect from 1 May 2013 and at a rate of €20 per tonne from 1 May 2014

#### **Universal Social Charge**

- The Bill provides that the standard rates of USC will apply to those aged 70 years of age and over and medical card holders (PAYE/and self-employed income earners) who have income in excess of €60,000 per annum (7% is standard rate).

## **LOCAL PROPERTY TAX BILL**

### **Deferral for Personal Representatives**

- A deferral of LPT will be permitted in circumstances where a personal representative of a deceased person's estate is responsible for payment of the LPT.
- The deferral is for up to three years to allow for administration of the estate without causing cashflow issues for personal representatives.

### **Deferrals – Revenue Care and Management and Personal Insolvency**

- Revenue may grant deferral in hardship cases where gross income thresholds are exceeded. The deferral interest rate (c. 4% p.a.) would be charged instead of the normal rate (c. 8% p.a.).
- Liable persons who have entered into a Debt Settlement Arrangement or a Personal Insolvency Arrangement may defer payment of LPT for the duration of the arrangement

### **Local Adjustment Factor**

- Section 20 of the Local Property Tax Act enables local authorities to increase or decrease the rate of local property tax by a "local adjustment factor" (15% above or below the national central rate) on properties located in their area.
- The Minister for the Environment, Community and Local Government may make regulations regarding the setting of the local adjustment factor.

### **Deliberate Under Declaration Of Chargeable Value - Anti-Avoidance Provisions**

- This amendment proposes to oblige a vendor to disclose to a purchaser the value declared to Revenue and to oblige the purchaser to submit his or her own higher valuation where he or she is of the view that the vendor had under-valued the property.
- Revenue would then pursue the vendor for the underpaid LPT based on a previous under-valuation.

### **Approved Housing Bodies and Local Authorities**

- The Government has previously decided that local authorities and approved housing bodies, which were exempt from the Household Charge, should not be exempt from the Local Property Tax unless they are engaged in the provision of special needs housing.
- It is now proposed that:
  - approved housing bodies and local authorities be allowed to postpone payment of their 2013 LPT liabilities until 2014
  - that properties owned by local authorities and approved housing bodies be deemed to be valued in the lowest valuation band for the first valuation period only (2013- 2016) and valued in a similar manner to other properties thereafter.