IFA Submission to the Department of Finance

Consultation on 'Pay and File' Dates

7th November 2013

The Irish Farmers' Association

The Irish Farmers' Association is the representative organisation for 90,000 farm families throughout the country and is the recognised voice of Irish farmers in Europe and internationally. The Association has a well-recognised record of achievement on National and EU farm policy formation and implementation.

The objective of the IFA is to provide focused leadership and to deliver improved income and living standards for all farm families. The Association promotes the ongoing development and competitiveness of Irish agriculture and the food industry, which make an important contribution to the national economy.

The IFA represents all sectors and enterprises within farming. The President and all other leaders within the IFA are democratically elected by the membership, through 946 branches and 29 county executives. In addition, IFA has national committees dealing with all of the main areas including, livestock, dairy, sheep, grain, rural development, pigs, poultry, farm business, environment, horticulture, potatoes, farm family, hill farming, forestry and other areas.

Overview

This document is the IFA's response to the stakeholder consultation process with the Department of Finance on proposed changes to the 'pay and file' date for tax returns. The submission takes account of the perspectives of Irish farmers and the important agriculture sector which the IFA represents.

The Importance of Agriculture and the Food Industry to the Irish Economy

At a national economic level, the agri-food industry is contributing to economic growth, with food and drink exports in 2012 exceeding €9b for the first time. Despite a difficult economic environment in our main export markets, export growth has continued into 2013, with an increase in the value of sales of 8% during the first half of the year. This comes at a time when Ireland is experiencing a general fall in manufacturing exports. A clear message is emerging that the primary productive sector has the potential to contribute to economic recovery and drive exports, with increased employment in farming in all parts of the country, as recorded in the latest Quarterly National Household Survey, having both a positive social and economic impact.

The economic and social benefits of agriculture and the food industry are widely dispersed throughout the country, creating economic activity in every town and parish in Ireland. Irish farmers spend almost €8bn per annum on agricultural inputs and living expenses, the majority of which are purchased locally with the result that the import content of agriculture is 24% lower than other manufacturing sectors. The Agriculture and Irish food industry provides 14-15% of total employment in Ireland constituting between 287,000 and 308,000 jobs.

IFA policy, as put forward to the Department of Finance in this submission is that there must be no changes to the current 'pay and file' dates. Changes to the 'pay and file' dates for tax returns would undermine the tax compliance ability of Irish farmers, disrupt agricultural production at farm level, and ultimately the viability and sustainability of the family farm, which underpins the contribution of the agri-food sector to the national economy.

No change to either filing or payment date

With future budgets scheduled for the earlier date of mid-October, the IFA is clear that the retention of the existing ‘pay and file’ date of October 31st for self-employed Income Tax is critical for the farming sector.

It is the IFA’s view that none of the 3 proposals as outlined by the Department of Finance are workable for farmers and that the status quo should remain.

The current ‘pay and file’ date for tax returns must not be moved forward and there must be no mandating of farmer’s Single Farm Payment. The extreme weather of last winter, the depletion of feed stocks and resultant fodder crisis are a timely reminder to the farming community of the importance of the SFP for cashflow, paying bills and ultimately meeting tax obligations. Farmers have a proven track record as tax compliant citizens and credit worthy customers, and this must not be put in danger by a change to the ‘pay and file’ date.

- **Cashflow Burden for Farms and the Agriculture Industry**

  Farmers receive the majority of their Direct Payments and a significant portion of their income stream during the month of October. In terms of income distribution on Irish farms throughout the calendar year, October is a peak for livestock sales and grain cheque receipts. Combined with this is the fact that farmers now receive 50% of their Single Farm Payment in the month of October. The importance of these direct payments for low income family farms cannot be overstated. In 2012 Direct Payments on average contributed 82% of total Family Farm Income across all farms (NFS, 2013)[1]. Bringing forward the date of payment would cause serious cashflow difficulties for farmers and related businesses depending on payments and expenditure by the farming sector. Ultimately, it would put at risk farmers’ capacity to comply with their tax obligations. Cashflow is the lifeblood of any business and any additional burden will clearly put at risk the viability and sustainability of many small and medium businesses (SMEs) and in particular low income family farms.

  Despite the fact that the average Irish Farm is a low income family, its record of tax compliance is excellent. However, as these businesses have limited ability to absorb further cashflow burdens, changes to the current ‘pay and file’ system risk the high compliance levels that have been achieved to date. Indeed the Revenue has acknowledged Ireland’s excellent tax compliance rates which have improved since 2008 in the face of the economic downturn. Every effort should be made to protect and further strengthen tax compliance rates.

  This is backed up by the results of a survey undertaken by the Irish Taxation Institute in which over 90% of its members who responded to their survey felt that taxpayers would be significantly impacted from a cash flow perspective if the tax payment was moved to June while 68% of respondents said taxpayers would be impacted if the payment date was moved to September.

[1] Teagasc National Farm Survey Results 2012

- **Administrative burden**

The Irish Tax Institute in a survey of its members has demonstrated a clear opposition to any change in the ‘pay and file’ dates, with 70% of its clients surveyed saying they would not be in a position to provide information of appropriate quality in time to prepare a June income tax filing while two thirds of respondents said they would not be able to file the same number of income tax returns in September bearing in mind the September corporation tax filing requirement.

- **No greater certainty with earlier ‘pay and file’ date**

Bringing forward the ‘pay and file’ date would not bring about greater certainty to exchequer receipts. The yield from income tax paid by the self-employed is low and has not varied significantly in recent years. From the perspective of accurately estimating exchequer receipts therefore, errors associated with estimation of tax returns for the self-employed would represent a minimal percentage of the total exchequer yield.

- **Moving ‘pay and file’s dates forward will not improve tax the accuracy of tax forecasts**

Self-assessed taxpayers currently pay 90% of tax due for a particular year in preliminary tax before that year is complete. The argument for advancing the ‘pay and file’ date forward to September or June is that this will assist the accuracy of government forecasting. However if taxpayers are forced to estimate and pay their tax earlier, their estimate of the tax will obvious be less accurate and so to the national forecast for tax returns. It is noted that the Government’s forecasting record has improved significantly over recent years. (Irish Taxation Institute)