Addressing the Challenges to Deliver Growth in Farming

Irish Farmers' Association
2015 Budget Submission
July 2014

EXECUTIVE SUMMARY

1. IFA believes that the core objective for the Government in this October's budget must be to focus on supporting sectors that are delivering employment and export growth. While 2013 was a very difficult year for many farmers, farming is continuing to contribute to the economic recovery that is now clearly evident. However, the erosion witnessed in farm incomes in most enterprises in 2013, particularly the low income cattle and sheep sectors, continues to threaten the viability of the Irish family farm and the sector's overall growth prospects. Throughout 2014, the drop in prices in the beef sector has contributed to a major loss of confidence for producers in this sector.

2. Funding for farm schemes underpins farm incomes and output. Under the new Rural Development Programme (RDP), there is an overall allocation of €2.1bn of EU funding and €1.9bn of national funding for the period 2014-2020.

   Over €500m of funding for RDP farm schemes must be provided in this October's budget. This funding will deliver programmes of support for low-income farmers, the provision of environmental services, encourage young farmers, promote on-farm investment and support farming in marginal areas. With a significant increase in EU funding available for 2015, this level of funding for RDP farm schemes can be provided without an increase in exchequer funding in the Agriculture Budget in 2015.

   To maximise the economic return on this investment and to allow for prompt participation by farmers in these programmes, it is critical that Ireland's Rural Development Plan is implemented from Autumn 2014. Expenditure priorities for farming in Budget 2015 are:
   - Commencement of contracts for the new agri-environmental GLAS scheme in early 2015, with 30,000 farmers allowed into the scheme in its first year and payments disbursed in 2015.
   - Allocation of €30m for the TAMS scheme in 2015 to fund on-farm investment programmes across all sectors.
   - Funding of €52m for the Beef Data & Genomic scheme to support the vulnerable suckler sector.
   - Increased capital funding allocations for the horticulture, forestry and aquaculture sectors to achieve output targets and employment growth.

3. The agri-taxation review provides an opportunity to ensure that the taxation system provides a coherent support for the achievement of the key policy goals for agriculture outlined in *Food Harvest 2020*. These include promoting on-farm investment, encouraging new entrants to farming, increasing land mobility, and improving the overall structure, efficiency and productive capacity of agriculture. Taxation priorities for farming in Budget 2015 are:
   - Introduction of a *Tax Deposit Scheme* to manage income volatility and extension of income averaging to farm profits where spouse/farmer has an additional self-employed income source.
   - Retention of 90% Agricultural Relief to support the transfer of viable family farms.
   - Introduction of a *Phased Transfer Partnership* model, providing tax relief to farmholder during the defined period of transfer to children of farm assets.
   - Retention of Pay & File deadline for self-assessed income tax returns and simplification of income tax returns for farmers with low turnover.
   - Extension of Land Leasing Income Tax Exemption Scheme to include incorporated farm companies as a qualifying lessee and removal of 40 year age limit for qualifying lessors.
   - Retention of Stamp Duty Consanguinity Relief for non-residential transfers.

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Farm Incomes and Outlook 2014

2013 was a very difficult year for many farmers. The extremely wet weather conditions in the first half of the year lead to a fodder crisis, with the result that costs soared and output was negatively affected. While the dairy sector recovered in the second half of the year, with strong prices and good growth conditions, incomes fell across all other sectors. The already low income cattle and sheep sectors were particularly badly hit, with incomes falling to between €10,000 and €16,000.

In line with the past number of years, the 2013 farm income results highlight the major challenges farmers across all enterprise face in dealing with huge volatility in both weather and product prices. For the tillage sector, while there was an increase in output, a collapse in prices led to a fall in income.

Despite these difficulties, farming is continuing to contribute to the economic recovery that is now clearly evident, with improved exchequer returns and positive growth. Food and drink exports increased to almost €10b in 2013 and the sector experienced significant employment growth. In the first four months of 2014 food export growth is continuing, with the value of exports up almost 11% on the same period in 2013. Increased demand for agricultural training and education highlights the renewed energy in the sector and the growing number of individuals who are turning to agriculture to provide employment.

Notwithstanding the significant contribution of the farming sector to national economic recovery, the erosion witnessed in farm incomes in most enterprises continues to be a threat to the viability of the Irish family farm and the sector's overall growth prospects. Throughout the first half of 2014, the drop in prices in the beef sector has contributed to a major loss of confidence for producers in this sector.

Funding for farm schemes underpins farm incomes and agri food exports. On cattle and sheep farms, the cost of production generally exceeds the price received, highlighting the critical importance of direct payments for the sustainability of these farming enterprises. Funding has been reduced over the last number of budgets, as a result of cuts to and closure of farm schemes. There is an immediate need to address this issue for low income family farms.

The new Rural Development Programme (RDP) represents a significant injection of EU funding into rural Ireland, which will deliver economic activity and public goods. The Government must ensure full draw down of EU funds and provide national co-financing for farm schemes. Over €500m of funding for RDP farm schemes must be provided in this October's budget. With a significant increase in EU funding available for 2015, this level of funding for RDP farm schemes can be provided without any requirement for increased exchequer funding in the Agriculture Budget. As is clear from the low farm income figures, it is critical that the new RDP schemes are implemented from Autumn 2014, with payments for participating farmers disbursed in 2015.

Following the announcement by the Minister for Finance in last October's budget, a comprehensive review of the agri-taxation is currently being undertaken. IFA believes that this review provides an opportunity to identify the key challenges being faced by agriculture, the potential for growth and development of the sector, and the taxation measures that could most appropriately address the challenges and realise this potential. For the dairy sector, the lifting of quotas in 2015 provides a real opportunity for growth in the sector. However, measures must be provided to support investment at farm and industry level. In addition, the taxation system must provide appropriate measures to mitigate income volatility and to encourage greater land mobility and earlier lifetime transfers.

Farm Schemes and Other Expenditure Measures Affecting Farm Families

2.1 Rural Development Programme 2014 - 2020

Under the new Rural Development Programme (RDP), there is an overall allocation of €2.1bn of EU funding and €1.9bn of national funding for the period 2014-2020. It is critical that this allocation is fully drawn down over the lifetime of the Programme. An average of €560m annual funding will be available through the RDP for farm schemes between now and 2020, through a combination of EU funding and national co-financing. This funding will deliver programmes of support for low-income farmers, support the provision of environmental services, encourage young farmers, promote on-farm investment and support farming in marginal areas.

To maximise the economic return on this investment, and to allow for prompt participation by farmers in these programmes, it is critical that Ireland's Rural Development Plan is implemented from Autumn 2014. IFA's specific proposals on the schemes that will be funded under the RDP are outlined below.

2.1.1 Agri-Environment Schemes - GLAS

Over the past two decades farmers have participated in agri-environment schemes, which have contributed to the enhancement of the environment and increased the amenity value of the countryside. In addition, expenditure by farmers on goods and services through the REPS/AEOS programmes contributes to economic activity in the local economy. The introduction of the GLAS agri-environmental scheme under the new RDP provides an opportunity for farmers to continue to provide environmental benefits. However, there must be sufficient funding and available places for farmers to participate.

IFA proposes that contracts for the new agri-environmental GLAS scheme must commence from 1st January 2015. 30,000 farmers must be allowed into the scheme in its first year, with first payments for the scheme disbursed in 2015.

2.1.2 On-Farm Investment – TAMS II

The implementation of a strong on-farm investment scheme is critical given the ambitious growth targets set out in *Food Harvest 2020*, the abolition of milk quotas and the ongoing investment requirement across all sectors, to improve efficiency and meet higher environmental and animal welfare standards.

IFA proposes that €30m is allocated for on-farm investment programmes across all sectors, through the TAMS scheme, in 2015.

2.1.3 Knowledge Transfer – Discussion Groups

Participation by farmers in discussion groups has been shown to improve on-farm efficiency and management practices, and IFA supports the extension of this form of peer learning to all sectors.

IFA proposes that discussion group funding must be extended to all sectors, including the Pigs, Poultry and Grain sectors.

In addition, a specific programme for Hill Sheep, the HSTAP, must be introduced, with a payment of €2,000 per participant, aimed at increasing quality and improving output in hill areas.

2.1.4 Support for the Suckler Cow Herd – Beef Genomic Scheme

The new beef data and genomic scheme of €80 per cow/calf on 650,000 animals involving €52m funding is a positive move for the suckler sector, where numbers are under severe pressure and strong direct supports are essential. It is essential that any farmer's costs associated with the scheme are kept to an absolute minimum.

IFA proposes that €52m is allocated to the Beef Genomic Scheme in Budget 2015.

2.1.5 Disadvantaged Areas/Areas of Natural Constraint

The DAS/ANC Scheme is of huge importance in ensuring the continuation of farming activity in difficult land areas throughout the country.

IFA proposes that the funding for the DAS/ANCs is maintained for all categories, with a doubling of funding for island farmers.

2.2 Other farm expenditure programmes

2.2.1 Horticulture

The Scheme of Investment Aid for the Development of the Commercial Horticulture Sector is critical to the expansion of the sector. The existing annualised structure of the grant scheme is reducing participation in the scheme and curtailing important investment.

Funding for the Horticulture Grant scheme must be increased to €8m in 2015, as it is a critical support for investment in a sector that is creating employment. The scheme should be implemented on a two-year cycle, rather than annually as currently exists, to take account of the seasonality of certain crops and the time required to obtain planning permission. In addition, the scheme should be extended to the potato sector.

2.2.2 Animal Health

Farmers continue to make significant financial investments in improving the health status of the national herd both for statutory and non-statutory diseases. The continued improvement in the health status of the national herd generates benefits for the broader agri-sector and the economy in general. Adequate financial support must therefore be provided to lessen the cost burden for farmers most affected by disease eradication/control measures.

To ensure the current eradication/control programmes continue to contribute to improvements in the national herd health status, the. following support measures are required in Budget 2015:

- **Financial support for farmers in the BVD Eradication Programme, to include targeted higher level payments where the disposal of a large number of PI calves is required.**
- **Increased consequential loss payments for farmers in the TB Eradication Programme to align the level of support with actual income foregone arising from removal of reactors.**
- **Increased financial supports for farmers involved in the pilot Johnes Control Programme, to include all aspects of the costs incurred.**
- **A properly funded Deer Management Programme to alleviate the difficulties caused by the expanding population, bringing with it disease challenges to cattle, increased costs and creating public health and safety concerns for farmers.**

2.2.3 Forestry

The forestry sector has a central role to play in achieving Ireland's climate change and renewable energy targets. However, the cuts in forestry premium and erosion of its real value through taxation increases in the past number of years have led to a reduction in the area planted.

IFA proposes that, in order to increase forestry planting area to the 15,000ha annual target, there must be an increase of 15% on the existing forestry premium in Budget 2015. In addition, premium funding must be made available over a 20 year period.

2.2.4 SAC payments

Payments through the National Parks and Wildlife Service (NPWS) must be continued through the Farm Plan Scheme to meet the costs of restriction imposed and to provide adequate compensation to farmers whose incomes and livelihoods have been negatively affected by designation.

IFA proposes that €5m must be allocated to the NPWS in Budget 2015 for the Farm Plan Scheme to meet the funding requirements resulting from the designations of SACs, SPAs, and NHAs.

2.2.5 Aquaculture

As multi-user bays with a large number of shellfish licences are now being processed through the licensing system, more producers will become eligible for grant aid. All producers under the protection of either a full licence, or a Section 19(a) (Fisheries (Amendment) Act 1997) consent, should be eligible for grant aid under the EFF (national operations programme for fisheries) and its successor, the EMFF.

Ireland will submit a new national Fisheries Operational Programme for 2014-2020 by the end of 2014. The EU has committed €71 million to Ireland's EMFF programme for seafood development. Funding must be focused on the development and expansion of the aquaculture industry to reach the targets set out in *Food Harvest 2020* and *Harvesting Our Ocean*. Matching exchequer funding must be provided for producers across a range of areas, including capital investment, environmental measures and collective actions. In addition there must be recognition by government of the challenges of production in the marine environment through workable biotoxin and emergency compensatory measures.

In Budget 2015 the Government must make adequate provision for access to public aid through the EMFF for aquaculture licensees and those awaiting decisions on renewal applications. In addition, the Government must immediately lift the ban on funding for marine salmon farms. The Government must, at a minimum, match the €71 million for seafood development committed by the EU in the European Maritime and Fisheries Fund 2014-2020.

To compensate for restrictions to development caused by the delays in aquaculture licensing renewals from 2007, IFA believes that special employment creation incentives and reduced taxation on profits should be provided for individual companies for the equivalent number of years between their licence renewal application and a Ministerial decision.

2.3 Other Expenditure Programmes of Importance to Farm Families

2.3.1 Extension of PRSI to Spouses of Self-Employed Workers

IFA welcomes the recent extension of the Social Insurance system to spouses of self-employed workers who assist in the self-employed business; however, it is too limited an extension, as it does not include spouses who are employees of the self-employed worker. Access to the Social Insurance contributory system should be open to all. Where possible, individuals should be entitled to make PRSI contributions which would qualify them for their own individual future benefits.

IFA believes that the extension of the PRSI system to spouses of self-employed workers who assist in the self-employed enterprise is a positive move. It is critical that the rules for participation are straightforward and accessible for those to whom this extension applies.

In addition, the prohibition from the PRSI system of spouses of self-employed who are employed by their spouse is unfairly excluding a category of individuals from the Social Insurance system and should be removed.

2.3.2 Fair Deal Scheme – Means Assessment of Non-residential Assets

While IFA is fully supportive of and encourages lifetime transfers of farms, it is clear since the implementation of the Fair Deal scheme that there are difficulties arising with the costs of care where the asset has not been transferred, or where it has been transferred, but within the previous 5 years. A key concern for farm families remains the potentially uncapped liability for non-residential farming assets. This creates uncertainty and anxiety that the viability of the family farm business will be undermined or lost when attempting to meet the costs of care.

IFA proposes that there must be a cap on the maximum % charge that can be applied to non-residential farming assets in the means assessment for the Fair Deal scheme, in all circumstances. The cap must ensure that the viability of the transferred farm is protected.

2.3.3 Farm Assist

The Farm Assist scheme is a vital support to low income farmers. The difficult weather conditions and high input costs led to a huge fall in incomes in the low income cattle and sheep sectors in 2013. In addition, poor cattle prices in 2014 have led to a continuing deterioration of incomes in the most vulnerable sectors.

IFA proposes that funding for Farm Assist must be maintained in Budget 2015, with income and child disregards restored to their pre-budget 2013 levels. Additionally the means test must be more reflective of the current income position rather than on a historical 12 month basis.

2.3.4 Rural Social Scheme (RSS)

The Rural Social Scheme continues to be a vital support to low-income farmers in areas where job opportunities are limited.

IFA proposes that the number of places in the RSS is doubled from its current number of 2,600 to 5,200. In addition, the ongoing review of the scheme must allow for flexibility in implementation as the training requirements of a social employment scheme in agriculture differ from those in a more general employment scheme.

2.3.5 Walks Scheme

The Walks Scheme which was introduced in 2008 is now up for renewal and contracts are being extended for 40 walks as they become due. The scheme has had a significant impact on the development of recreational activities, boosting rural tourism and supporting farmers who provide access to their land.

IFA proposes that the number of walks covered by the scheme is increased to 80 and that the allocation is increased from €2m to €4m.

Agri-Taxation Review - An Opportunity for the Development of Agriculture

IFA believes that the agri-taxation review provides an opportunity to ensure that the taxation system provides a coherent support for the achievement of the key policy goals for agriculture outlined in *Food Harvest 2020*. These include promoting on-farm investment, encouraging new entrants to farming, increasing land mobility, and improving the overall structure, efficiency and productive capacity of agriculture.

In its comprehensive submission to the agri-taxation review group, IFA focused on the existing main tax reliefs relevant to farming, and whether they could be adapted to work more effectively, whilst also proposing a number of new measures to address particular problems in the sector.

The key objectives for IFA in the independent review of taxation and for Budget 2015 are to:

- Ensure valuable tax reliefs, which are critical to the development and growth of the agri sector, are maintained;
- Secure new tax incentives that are necessary to drive structural improvements by incentivising land transfer, mobility and investment;
- Examine how the taxation system can better accommodate the extreme volatility in farm incomes; and
- Examine how tax returns can be simplified to drive down compliance costs.

The taxation proposals contained in IFA's pre-budget submission are based on the agri-taxation review submission. A summary of these proposals is provided, with a particular focus on time-sensitive and priority taxation measures in the context of Budget 2015 and the Finance Bill.

3.1 Income Tax

3.1.1 Mechanisms to address income volatility

Income Volatility is an inherent feature of agricultural production. In the past IFA negotiated the introduction of an Income Averaging system which gives the farmer the option to average their income over a 3 year rolling period for tax purposes. With high tax rates applying at moderate incomes, and against the market backdrop of increasing income volatility, (due to the progressive withdrawal of EU market supports and increased exposure to world market prices for commodities), there is a growing need for income smoothing tools which address the cash flow pressures being faced by farmers.

To support farm enterprises in managing volatility, while allowing farmers invest for expansion in their businesses, IFA is proposing a Tax Deposit Account, which would allow a farmer place on deposit a portion of their pre-tax income, in a designated commercial farming account. This could then be drawn down by the farmer and used for the running of his business when required (generally in a lower profit year) and would be taxable in the year it was drawn down. The new system would run in parallel with Income Averaging.

In addition, IFA proposes that, where a farmer or their spouse has an additional self-employed source of income, Income Averaging should be allowed on the farm profits.

3.1.2 Additional Income Tax proposals

- **Capital Allowances** – IFA proposes the introduction of an optional system of increased Capital Allowances. This would provide Capital Allowances of up to 50% over the first two years. In addition IFA proposes that Capital Allowances be made available for the establishment costs of bioenergy crops.
- **Stock Relief** – To enable the industry to achieve increased output targets for *Food Harvest 2020,* IFA proposes that the 100% Young Trained Farmers' Stock Relief is made available to all farmers, for a period of 4 years up to 2020.
- **Tax Credits** – IFA proposes the introduction of an Earned Income Tax Credit similar to the PAYE tax credit for self-employed taxpayers. This would not apply to taxpayers dependent on unearned income.

3.2 Farm Transfer, Succession and Land Mobility

While the agri-sector is currently working towards achieving the target of €12 billion worth of exports set out in *Food Harvest 2020*, significant challenges lie ahead. In particular, structural issues such as farm size and fragmentation, coupled with low land mobility and an ageing demographic profile negatively impact on the competitiveness and efficiency of primary production. Government policy must support and encourage the continued expansion of the farming sector, enabling farmers to invest and build productive capacity.

3.2.1 Phased Transfer Partnership (PTP) – A Progression Model of Farm Transfer

Increasing the number of lifetime transfers of family farms requires a number of barriers and concerns on the part of the farm owners to be overcome. One issue for farm families that may be delaying the lifetime transfer of farms is the requirement for both parties to derive an income stream from the farm. IFA believes a Phased Transfer Partnership (PTP) mechanism should be developed, which would encourage the lifetime transfer of family farms, while allowing both parties to work together for a defined time period.

IFA proposes Phased Transfer Partnership (PTP). This is a progression model in which there would a defined, phased transfer of the family farm over a set time period. This would require an agreed transfer contract where both parent and child (favoured niece/nephew) would work together in partnership over the period of the phased and progressive transfer of assets. As an incentive to the farm holder/parents to enter into the contract they would receive tax relief on a portion of their farm income, up to an agreed ceiling.

3.2.2 Land Leasing Income Tax Exemption Scheme

A major constraint to the development of a viable, competitive farm structure in Ireland is the rigidity of the owner-occupier system which dominates land tenure in this country. A major encouragement for transferring land use from less productive to more productive farmers / land mobility is the Land Leasing Income Tax Exemption scheme

IFA proposes that to increase participation in the Land Leasing Income Tax Exemption Scheme:

- **the land leasing tax exemption scheme should be extended to include a company that is operating for the purpose of farming as a qualifying lessee; and**
- **the 40 year age limit for qualifying lessors be removed.**

3.2.3 Stamp Duty Consanguinity Relief

Consanguinity Relief is a relief which halves the normal stamp duty rate on the transfer of non-residential property between certain relatives. The relief is scheduled to cease to apply to non-residential property after 31 December 2014.

To encourage the lifetime transfer of family farms, IFA believes that Stamp Duty Consanguinity Relief for non-residential property should be retained after the 31st December 2014.

3.2.4 Relief from Capital Gains Tax for farm restructuring

The conditions under which the relief from Capital Gains tax for farm restructuring operates are too restrictive. A number of legitimate transactions are currently ineligible to avail of the relief.

IFA proposes that, to further encourage land mobility and consolidation, the CGT Relief for farm restructuring must be expanded to include the following as qualifying transactions:

- **Farmland that is sold under CPO and subsequently replaced.**
- **The sale of an existing farm and replacement with a more viable consolidated holding.**
- **The sale of a land parcel and reinvestment of the sale proceeds into farm capital infrastructure.**

3.2.5 Capital Gains Tax Retirement Relief – 15 year leased land qualification

Under the current rules for CGT Retirement relief, to qualify for retirement relief an individual must have owned and farmed the land disposed of for a minimum of 10 years. Where they have leased out land, they must have satisfied the 10 year rule and they cannot lease the land out for greater than 15 years. IFA is aware of a number of cases whereby the land has been leased out for more than 15 years due to personal circumstances (e.g. death of farming spouse at a young age), and where the farm is now being transferred to a family member. However, the lifetime transfer is being delayed or prevented due to a significant Capital Gains Tax Bill. IFA believes that, in these very limited circumstances, there must be scope for the 15 year leasing rule to be relaxed for the individual to qualify for Retirement Relief.

IFA proposes that there should be a relaxation of the 15 year leasing threshold to qualify for CGT Retirement relief in very limited circumstances, where the individual is not in a position to actively farm or transfer the land in that time period, and where the farm transfer is to an immediate family member.

3.2.6 Additional Measures to support land transfer, mobility and succession

- **Agricultural Relief** - to encourage the transfer of family farms of a sufficient scale to support a viable farm enterprise for the next generation, IFA believes it is essential that the 90% Agricultural Relief must be retained for all qualifying transfers.
- **Capital Acquisitions Tax thresholds** – CAT tax-free thresholds must be maintained and should be adjusted to take account of inflation through index-linking.
- **Capital Gains Tax indexation** - CGT Retirement Relief is an important measure to facilitate lifetime farm transfers and farm sales, and must be retained. In the context of increased CGT rates, and rising farm and other asset values, IFA proposes that indexation should be reintroduced.
- **CGT Retirement Relief for disposal other than to one's children** – the implementation of the lifetime threshold rules must be amended. Where a farmer disposes of some of their assets before the age of 66, the full €500,000 lifetime tax-exempt threshold should remain available to them after the age of 66, provided that the total lifetime value of disposals does not exceed €750,000.

3.3 Sector specific tax proposals

3.3.1 Compulsory purchase of supply licenses (co-op shares)

Dairy sector expansion plans under *Food Harvest 2020* and the end of the milk quota regime from 2015 are creating the need to establish "supply licences" to provide transparency on milk volumes and assist with investment planning at farm, processing and marketing levels. Supply licences and or other forms of compulsory financial contributions will also be used to fairly distribute the cost of partially funding industry investment to deal with the additional milk.

IFA proposes that the compulsory purchase of co-operative shares or other forms of compulsory financial contribution fulfilling the same role, be treated by the tax code as a qualifying capital expenditure. IFA proposes this would only apply to new purchases of mandatory share purchases/licenses/financial contributions.

3.3.2 Tax-relieved loan scheme for investment in the dairy industry

Following the abolition of milk quotas in 2015, and in response to fast growing international market demand, the Irish dairy industry has a real opportunity to expand at farm and industry level, and to grow output and exports. In addition to the €1.5b that will have to be spent on farms to deliver a 50% expansion in milk production, €400m will be required for additional and/or rationalised processing capacity and investment in R&D and marketing.

IFA, in conjunction with the dairy industry, proposes a tax-relieved loan scheme, which will prove a key component in securing finance for the expansion of the dairy industry.

3.3.3 High Income Earner Restriction for farm forestry

Forestry is a unique investment where the majority of the revenue stream is realised at the end of the growing cycle (typically after 40 years of input). The "High Income Earner Restriction" (introduced to tackle tax avoidance measures of high income earners in the 2007 Finance Act) has resulted in a limit on the tax relief available on forestry income. This has become an issue for forest owners that are in the process of thinning or clearfelling their forest plantations and for those hit by windblow from storms.

Forestry felling income, which comes as a once-off payment at the end of a long-term growing cycle, should not be treated as income that falls within the Higher Income Earners restriction. IFA proposes that forestry income should be allowed to be declared over a number of taxable years (similar to the averaging of sugar beet restructuring payments over a six-year period).

3.4 Retention of existing reliefs for farm partnerships

The removal of barriers and the provision of incentives for farm partnerships is very important to ensure that the benefits of farming in partnership, including increased efficiency and output, can be realised.

IFA proposes that the following reliefs should be retained and extended to all registered farm partnerships, including:

- **CGT Retirement Relief for Milk Production Partnerships;**
- **Enhanced Stock Relief for Registered Farm Partnerships; and**
- **Special Income Averaging provisions for Milk Production Partnerships.**

In addition, the Joint Tenancy Ownership Relief from Capital Gain Tax that was available until December 2013 where there was the dissolution of a farm partnership should be reinstated. IFA proposes that this relief be restored to individual partners that continue to farm for a minimum of 5 years post the breakup.

3.5 Other Taxation proposals

3.5.1 Maintenance of Pay and File Dates for Self-Assessment

With future budgets scheduled for the earlier date of mid-October, IFA is clear that the retention of the existing 'pay and file' date of October 31st for self-assessed individuals is critical for the farming sector.

IFA believes that the current 'pay and file' date for tax returns must not be moved forward and there must be no mandating of farmers' Single Farm Payment. Extremes in income and weather volatility over the past number of years have highlighted the importance of the SFP for cashflow, paying bills and ultimately meeting tax obligations.

3.5.2 Simplification of Taxation system for SMEs

The requirement to have farm accounts and related tax returns prepared professionally is a substantial cost burden on farms, particularly smaller enterprises.

IFA proposes a simplified system of farm income assessment for farmers with low turnover. Form 11s (a simplified method of tax return for self-assessed individuals) should be adjusted to incorporate more information on the farmer's trade. Farmers with a non-complex farming system could then elect to file this form in full compliance of their income tax obligations.

3.5.3 Investing Income from Renewable Energy in the Farm Business

Ireland's peripheral geographical location and dependence on imported fossil fuels means that energy security and reducing greenhouse gas emissions are key challenges for the country. The leasing of agricultural land to facilitate renewable energy infrastructure contributes to Ireland meeting its renewable energy and emission reduction commitments.

IFA proposes that, as part of the Government's overall strategy for achieving Ireland's renewable energy and emission reduction targets, rental income received for the alternative use of farmland for renewable energy projects should be have relief from income tax, where investment takes place in the farm business. This will provide an alternative financial source to support the development of the sector.

3.5.4 Taxation of Quad Bikes

The current interpretation of EU Directives on road safety standards has resulted in a situation whereby it is effectively impossible to register and tax farm quads for limited use on public roads. Farmers looking to tax their quad are informed that it must be taxed as a general haulage tractor, with a tax of €333 per annum applying, or as a private vehicle and taxed based on the cc of the engine. This is a completely disproportionate level of tax for a small utility vehicle whose main purpose on any farm is as an off-road vehicle. In addition, many quads cannot be registered and taxed for use on public roads, as they are not deemed to meet road safety standards, which requires vehicle 'type approval' and manufacturer's certificate of conformity.

To remove the difficulties surrounding the taxation of farm quads, IFA proposes that a system similar to that which operates in the UK is introduced. Quads should be registered as a light agricultural vehicle, with a 'nil value' tax disc, whereby the quad can be used on the road, if the distance travelled between sites is less than 1.5km. In addition, farm quads, which are used primarily as off-road vehicles, should be categorised as Category T Vehicles (e.g. wheeled tractors), thereby removing the requirement for an EC Certificate of conformity at registration.

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